

## DOCUMENT RESUME

ED 237 633

CE 035 033

**TITLE** Proceedings of the Annual Conference of the American Council on Consumer Interests (28th, Columbus, Ohio, April 21-24, 1982). Conference Theme: Career Competency, Consumer Education, and Consumer Research.

**INSTITUTION** American Council on Consumer Interests, Columbia, Mo.

**PUB DATE** 82

**NOTE** 343p.

**AVAILABLE FROM** American Council on Consumer Interests, 240 Stanley Hall, University of Missouri, Columbia, MO 65211 (Members--\$12.50; Non-members--\$25.00).

**PUB TYPE** Collected Works - Conference Proceedings (021) -- Reports - Descriptive (141) -- Reports - Research/Technical (143)

**EDRS PRICE** MF01 Plus Postage. PC Not Available from EDRS.

**DESCRIPTORS** Abstracts; Advertising; Career Choice; Career Development; Career Ladders; Competence; \*Conservation Education; \*Consumer Economics; \*Consumer Education; \*Consumer Protection; \*Consumer Science; Curriculum; Energy Conservation; Information Systems; Instructional Materials; Insurance; Legislation; Models; Money Management; \*Occupational Information; Postsecondary Education; Research Reports; Secondary Education; Solar Energy; Teacher Education; Television

**ABSTRACT**

This document contains the proceedings of a conference on the themes of career competency, consumer education, and consumer research conducted in April 1982. The proceedings consist of 69 research reports (each with abstract) as well as a list of the conference participants, their affiliations, and addresses. The reports, which are indexed by author, cover the following topics, among others: shopping time of homemakers and spouses, classification of concepts in consumer education, comparison of food stamp participants and eligible nonparticipants, consumer policy, evaluating energy conservation strategies for public housing residents, consumer price information programs, financial crisis management for families, career ladders for consumer affairs professionals, consumer educators in the 1980s, marketplace problems as perceived by solar homeowners and solar experts, consumer responses to mail order problems and knowledge of the Federal Trade Commission rule, consumer risk perception and response, consumer satisfaction with complaint handling, competencies of consumer education students, state consumer protection offices, factors motivating consumer energy conservation, bankruptcy, whole life insurance, needs of consumer economics education teachers, use of credit cards, home warranties, health care legislation, the consumer content of prime-time television, and the development of a model for a community-based information and referral system. Most of the reports contain bibliographies. (KC)

PROCEEDINGS

ED237633

28th Annual Conference  
of the  
AMERICAN COUNCIL ON CONSUMER INTERESTS  
April 21-24, 1982

Conference Theme:

Career Competency, Consumer Education, and Consumer Research

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PROGRAM

AMERICAN COUNCIL ON CONSUMER INTERESTS  
28th Annual Conference  
April 21-24, 1982  
Columbus, Ohio

Theme:  
Career Competency, Consumer Education, and Consumer Research

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Number

Wednesday, April 21, 1982

NEW MEMBERS' ORIENTATION

"History and Overview of ACCI"

nms

Presiding: Randy Mullis, University of Missouri-Columbia

Presentors: Ray Price, University of Minnesota  
Arch Troelstrup, Stephens College  
Colston Warne, Consumers Union

Thursday, April 22, 1982

FIRST GENERAL SESSION

Presiding: Carole Makela, Colorado State University

Welcome: Pat Crowell, The Ohio State University  
ACCI Local Arrangements Chair

Dorothy Teater, Columbus, Ohio City Council

DISTINGUISHED FELLOWS AWARDEES:

Dr. Gordon Bivens, Iowa State University  
Dr. Edward Metzen, University of Missouri-Columbia

COLSTON E. WARNE LECTURE

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Jo Ellen Helmlinger, Consumer Consultant, Big Bear Stores,  
Columbus, Ohio  
Brenda Yost, Assistant Director, National Automated  
Clearinghouse Association, Washington, D.C.  
Mel Zelenak, University of Missouri-Columbia

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Sharon V. Redick, The Ohio State University

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Chair, ACCI Research Awards Committee

### ACCI Research Award Recipient:

Barbara Bick, Ohio Cooperative Extension Service.  
"Comparison of Food Stamp Participants and Eligible Nonparticipants  
in Two Ohio Counties." nms

### Other

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nms

Rosella Bannister, Eastern Michigan University.  
"The Classification of Concepts in Consumer Education."

nms

Hayden Green, CERN.  
"The Consumer Education Resource Network (CERN)"

nms

Judy Cohart, Coalition for Consumer Education.  
"The National Coalition for Consumer Education."

nms

Karen Heath, Ohio Department of Education.  
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Education Teachers?"

nms

Fred Waddell, Virginia Polytechnic Institute & State University.  
"Experiential Learning--Consumer Education."

nms

Lillian Mohr, U.S. Office of Consumer Affairs.  
"National Consumers' Week, 1982."

nms

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Christine E. Denzin, Iowa State University.  
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nms

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FROM THE EDITOR

The theme of the 28th Annual Conference of the American Council on Consumer Interests -- Career Competency, Consumer Education, and Consumer Research -- represented the breadth of interests of the membership. Publication here of the papers presented in each of these areas will stimulate thought and discussion and assist in the attainment of excellence by the membership and other interested professionals.

Each speaker at the conference was invited to submit a camera ready manuscript typed to Proceedings specifications for inclusion here. Speakers at many discussion sessions also developed formal remarks. Although there were some technical problems this year, the cooperation of the presentators and their support staff was great.

Appreciation is extended to the many speakers for their assistance in providing their manuscripts as requested and to the program chair for developing an outstanding program. The local arrangements committee gave special assistance to many last minute requests. Reviewers and many others contributed to making the 28th Conference a successful one. Special appreciation is extended to Donna McGuinn for her assistance in organizing, typing and follow through in the Proceedings.

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# THE DETERMINANTS OF TIME ALLOCATED TO SHOPPING BY HOMEMAKERS AND SPOUSES\*

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## Abstract

The study examined the ability of four sets of factors to explain homemakers' and spouses' shopping time. Data interviews and time records of 210 Wisconsin families were used. Tobit analysis revealed that homemakers' shopping time varied by time use and situational factors; spouses' shopping time varied by affluence, time use, situational, and demographic factors.

Shopping is one of the major activities of households, and, according to Vanek, it has become more time consuming than it once was (6). Walker and Woods found that two-thirds of all families shopped on the days data were collected and that shopping made up as large a proportion of household work time as did regular house care. Shopping took 12-14 percent of the time devoted to household work (7).

While shopping does take time, two family resources, time and money, are involved in shopping. Over the years, many families have increased their total money resources. Families cannot, however, increase their total time resources.

From these two resources, money and time, two alternate and somewhat conflicting predictions have been proposed regarding the effect of increasing affluence on the amount of time families spend in shopping. One prediction is that, as income increases, more items and more kinds of items will be purchased; thus, the total amount of time spent in shopping will increase. The other prediction is based on the concepts of time scarcity and the shadow price of time. Becker stated that as income rises, one's time has a higher shadow-price, that price being the person's wage rate (1). This higher shadow price increases the cost of nonwork activities, including shopping. Linder suggested that with higher time costs one would reduce the time spent in shopping. He concluded by suggesting that there was a "rationale for growing irrationality" in consumer purchase behavior (3, p. 60).

The purpose of this study was to identify predictors of shopping time. Four sets of variables were analyzed in relation to the shopping time of homemakers and spouses. The first set was affluence variables, which included measures of income and of assets. The second set was time variables, which included the weekly hours of paid work of the homemaker and spouse, and their household work, leisure, and other time

allocations. These two sets of variables tested money resources and time resources as predictors of shopping time. A third set of variables involved situational factors such as day of the week, month of the year, weather conditions, shopping for large ticket items, and the amount of purchased services. The fourth set of variables involved demographic characteristics of the individuals. From these four sets a final equation was developed, using variables previously found significant, to provide an overall prediction of the shopping time of the homemaker and the spouse.

The importance of the study was identified in the effectiveness of the purchasing decisions made by shoppers. If the shadow price of time and, thereby, its scarcity, reduced shopping time and resulted in less rational purchase decisions, there would be individual household level and market level effects. The household, with less time and less information on which to base informed choices, would increase the risk of making poor choices and of being less satisfied with individual purchases. At the market level, those less satisfactory purchases would be economic votes for less satisfactory products and firms. Thus, the economic discipline which the dollar votes of consumers would provide in the market would break down; less satisfactory products and firms would remain in the market, and more satisfactory products and firms would not be appropriately rewarded. In sum, there would be a deterioration in the efficiency of the market and an increase in consumer dissatisfaction.

Two assumptions were made for this study. First, it was assumed that the number and variety of purchase decisions increased as income increased. Second, it was assumed that time spent in the search for information had a cost and that shoppers would weigh that cost in relation to the expected benefits of search as they allocated time to shopping.

## Data and Sample

The data for this analysis were from the Wisconsin portion of NE-113, "An Interstate Urban/Rural Comparison of Families Time Use." The data were collected throughout 1978 in Madison, Wisconsin, and rural Dane County. The households studied were two-parent, two-child families where the children ranged from birth through the age of 17. The sample of 210 families was randomly drawn and was stratified by the age of the youngest child and by urban or rural residence. Equal numbers of families from each strata were included in the sample. Therefore, some strata are over sampled, relative to their proportion of the population. The completion rate was 62.69 percent.

\*This research was supported by the College of Agricultural and Life Sciences, University of Wisconsin-Madison, Hatch Grant #2365.

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The interview instruments included a time record and a questionnaire. An interviewer visited the home on two occasions. The time data analyzed here is from a record the homemaker filled out the day before the interviewer's second visit.

#### Methods

The study utilized Tobit analysis. This analysis has been described by its originator, James Tobin, as "a hybrid of probit analysis and multiple regression" (5). Tobit analysis was designed for those instances when the dependent variable was continuous over some range and was truncated at either the upper or lower end or both. Shopping time was this type of dependent variable; a number of cases were clustered at the zero level because, while shopping was a frequent activity, it was not a daily activity.

Tobit analysis was used to test the predictability of shopping time based on 1) affluence variables, 2) time variables, 3) situational variables, 4) demographic variables, and 5) a final equation of those variables found significant in the previous four sets of variables. Data were analyzed for the dependent variables of the shopping time of the homemaker and the spouse. Analyses were done using the Limited Dependent Variable Regression Program (2).

#### Empirical Results

The affluence equation included income and asset variables. In addition to the total yearly income of the family, objective and subjective measures of income adequacy were used. The asset variables included home ownership, number of rooms in the home, and vehicle and equipment ownership.

The estimate of the shopping time of the homemaker as predicted by affluence variables is found in the first two columns of Table 1. The non-normalized coefficients in Tobit analysis correspond to the usual regression coefficients and should be of approximately the same scale as the coefficients from ordinary least squares. The t-statistic is a measure of the significance for each independent variable. None of the affluence variables tested here was a significant predictor of the homemaker's shopping time.

The estimate of the shopping time of the spouse as predicted by affluence variables is found in the last two columns of Table 1. Two asset variables are significant predictors of the spouse's shopping time. The number of rooms in the home is positively related to shopping time, while the amount of equipment owned was negatively related to shopping time. The spouse's affluence equation was significant at the .005 level when the chi-square test was applied to the log of the likelihood ratio multiplied by  $-2(\log \lambda)$ .

The next set of equations predicted the shopping time of the homemaker and the spouse from time variables (Table 2). Both equations were found to be significant at the .001 level. All of the daily time variables of the homemaker--food related work, home maintenance, child care, unpaid work, paid work, and social and recreational time--were significant at the .01 level and were negatively related to shopping time. Two other variables, the shopping time of the partner (spouse) and of the children, were significant and were positively related to the homemaker's shopping time. Thus, the shopping time of other family members did not serve as a substitute for shopping by the homemaker. To the contrary, shopping time by other family members increased the shopping time of the homemaker.

The spouse's shopping time was also significantly related to his/her time in other activities on that day. The spouse's time in food related work--food preparation and clean-up--was positively related to shopping time. The spouse's time in other activities that same day was negatively related, and time in paid and unpaid work and social and recreational time were significant at the .01 level. The spouse's shopping time was significantly and positively related to the homemaker's shopping time, indicating that, perhaps, they shopped together. The spouse's shopping time was negatively related to the presence of a youngest child in the family who was between the ages of 2 and 5 years old.

In comparing the predictions of homemaker's shopping time from sets of affluence and of time variables, time variables were the better predictors. The homemaker's equation was significant for time variables, but not for affluence variables. Income and asset variables were not significantly related to time spent in shopping, and the log likelihood ratio was only 4.59. In contrast, all daily time variables of the homemaker were significant and were negatively related to shopping time, and time spent shopping by other family members was positively related to the homemaker's shopping time. The log likelihood ratio was 53.27 and was significant at the .001 level.

Both affluence variables and time variables predicted the spouse's shopping time at a significant level. However, affluence variables were significant at the .005 level and the log of likelihood ratio was 15.46, while, with time variables, the level of significance was better, .001, and the log of the likelihood ratio was larger, 38.49. Most daily time variables of the spouse were negatively related to the spouse's shopping time. It was concluded that time variables were better predictors of shopping time than were the affluence variables tested in this study.

As a follow-up, two additional sets of variables--situational variables and demographic variables--were tested for their ability to predict the shopping times of homemakers and spouses. The

TABLE 1. Affluence Variables as Predictors of Shopping Time

| Independent Variables          | HOMEMAKER             |       | SPOUSE                |        |
|--------------------------------|-----------------------|-------|-----------------------|--------|
|                                | Non-Norm. t-<br>Coef. | Stat. | Non-Norm. t-<br>Coef. | Stat.  |
| <b>INCOME VARIABLES</b>        |                       |       |                       |        |
| Family Income                  | -7.64                 | -.77  | -10.11                | -.92   |
| Obj. Adequacy                  | -2.48                 | -.36  | -5.34                 | -.76   |
| Subj. Inc.: Adequate           | -1.13                 | -.05  | -19.64                | -.91   |
| Subj. Inc.: Very Adequate      | -8.25                 | -.26  | -53.61                | -1.35  |
| <b>ASSET VARIABLES</b>         |                       |       |                       |        |
| Home Ownership                 | 17.74                 | 1.50  | .00                   | .81    |
| No. Rooms in Home              | 6.06                  | .62   | 20.58                 | 2.01** |
| No. Vehicles Owned             | 15.57                 | .48   | 41.19                 | 1.22   |
| Equipment Owned                | -7.94                 | -1.12 | -12.43                | -1.65* |
| <b>SAMPLING VARIABLES</b>      |                       |       |                       |        |
| Yngst. Child: baby             | -38.67                | -1.38 | 2.43                  | .09    |
| Yngst. Child: 1 yr.            | -39.52                | -1.45 | -39.41                | -1.44  |
| Yngst. Child: 2-5 yrs.         | -17.67                | -.65  | -115.31               | -.35   |
| Yngst. Child: 12-17 yrs.       | -9.15                 | -.30  | -35.69                | -1.29  |
| Rural/Urban                    | -28.53                | -1.62 | -11.31                | -.63   |
| CONSTANT                       | 117.32                | 1.52  | 21.67                 | .28    |
| Standard Error of the Equation | 112.61                |       | 97.56                 |        |
| Log (constrained)              | -796.18               |       | -433.10               |        |
| Log (unconstrained)            | -791.59               |       | -417.64               |        |
| Log of Likelihood Ratio        | 4.59                  |       | 15.46                 |        |

$$-2 (\text{Log } \lambda) = -9.18 \quad -2 (\text{Log } \lambda) = -30.92$$

$$n.s. \text{ d.f.} = 13 \quad p = .005 \text{ d.f.} = 13$$

\*p. < .10  
\*\*p. < .05  
\*\*\*p. < .01

TABLE 2. Time Variables as Predictors of Shopping Time

| Independent Variables          | HOMEMAKER             |          | SPOUSE                |          |
|--------------------------------|-----------------------|----------|-----------------------|----------|
|                                | Non-Norm. t-<br>Coef. | Stat.    | Non-Norm. t-<br>Coef. | Stat.    |
| <b>DAY'S TIME VARIABLES</b>    |                       |          |                       |          |
| Minutes of:                    |                       |          |                       |          |
| Food Related Work              | -.38                  | -3.39*** | .65                   | 2.27***  |
| Household Maintenance          | -.34                  | -4.54*** | -.16                  | -1.64    |
| Child Care                     | -.29                  | -3.15*** | -.24                  | -1.65*   |
| Unpaid Work                    | -.36                  | -5.00*** | -.36                  | -3.75*** |
| Paid Work                      | -.33                  | -5.44*** | -.21                  | -4.45*** |
| Social and Rec. Time           | -.32                  | -5.02*** | -.15                  | -2.61*** |
| Shopping Time, Partner         | .64                   | 4.31***  | .48                   | 4.42***  |
| Shopping Time, Children        | .29                   | 3.68***  | -.04                  | -.39     |
| <b>WEEKLY TIME VARIABLES</b>   |                       |          |                       |          |
| Paid Work of Homemaker         | -.30                  | -.76     | .16                   | .38      |
| Paid Work of Spouse            | -.09                  | -.24     | -.39                  | -.66     |
| <b>SAMPLING VARIABLES</b>      |                       |          |                       |          |
| Yngst. Child: baby             | -460.73               | -.21     | 31.66                 | 1.43     |
| Yngst. Child: 1 yr.            | -50.87                | -.24     | -8.22                 | -.36     |
| Yngst. Child: 2-5 yrs.         | 24.34                 | 1.24     | -97.62                | -3.39*** |
| Yngst. Child: 12-17 yrs.       | 8.24                  | .42      | -28.65                | -1.27    |
| Urban/Rural                    | -4.13                 | -.33     | -2.43                 | -.16     |
| CONSTANT                       | 269.40                | 5.03***  | 103.70                | 1.84*    |
| Standard Error of the Equation | 78.13                 |          | 77.52                 |          |
| Log (constrained)              | -796.18               |          | -433.10               |          |
| Log (unconstrained)            | -742.91               |          | -394.61               |          |
| Log of Likelihood Ratio        | 53.27                 |          | 38.49                 |          |

$$-2 (\text{Log } \lambda) = -106.54 \quad -2 (\text{Log } \lambda) = -76.98$$

$$p = .001 \text{ d.f.} = 15 \quad p = .001 \text{ d.f.} = 15$$

<sup>1</sup> Partner, in the homemaker's equation, is the spouse's time. And, in the spouse's equation, partner is the homemaker.

\*p. < .10  
\*\*p. < .05  
\*\*\*p. < .01

TABLE 3. Situational Variables as Predictors of Shopping Time

| Independent Variables     | HOMEMAKER             |        | SPOUSE                |         |
|---------------------------|-----------------------|--------|-----------------------|---------|
|                           | Non-Norm. t-<br>Coef. | Stat.  | Non-Norm. t-<br>Coef. | Stat.   |
| <b>DAY VARIABLES</b>      |                       |        |                       |         |
| Sunday                    | -4.09                 | -.14   | 56.28                 | 1.78*   |
| Monday                    | -24.64                | -.82   | 15.82                 | .47     |
| Wednesday                 | -11.11                | -.37   | -20.90                | -.56    |
| Thursday                  | 13.21                 | .44    | 44.57                 | 1.36    |
| Friday                    | 56.53                 | 1.90*  | 94.53                 | 2.99**  |
| Saturday                  | 18.01                 | .60    | 69.54                 | 2.17**  |
| <b>MONTH VARIABLES</b>    |                       |        |                       |         |
| January                   | 57.14                 | 1.33*  | -39.32                | -.93    |
| February                  | -43.52                | -1.14  | -40.64                | -1.14   |
| March                     | -37.60                | -.92   | -30.15                | -.81    |
| April                     | 19.73                 | .51    | -2.35                 | -.07    |
| May                       | 12.50                 | .33    | -42.61                | -1.14   |
| June                      | 26.88                 | .72    | -72.07                | -1.86*  |
| August                    | 17.89                 | .45    | -120.32               | -2.42** |
| September                 | -8.60                 | -.23   | -29.94                | -.84    |
| October                   | -73.41                | -1.78* | -74.60                | -1.88*  |
| Nov./Dec.                 | 23.98                 | .69    | -59.66                | -1.83*  |
| <b>OTHER VARIABLES</b>    |                       |        |                       |         |
| Weather Conditions        | 55.54                 | 2.37** | -6.33                 | .27     |
| Days Shop Lrg. Purchase   | 5.03                  | .78    | 5.03                  | .87     |
| % of Purchased Services   | -.11                  | -.81   | .20                   | 2.19    |
| <b>SAMPLING VARIABLES</b> |                       |        |                       |         |
| Yngst. Child: baby        | -25.65                | -1.04  | 19.71                 | .87     |
| Yngst. Child: 1 yr.       | -29.60                | -1.20  | -21.36                | -.88    |
| Yngst. Child: 2-5 yrs.    | -7.97                 | .33    | -99.39                | -3.24   |
| Yngst. Child: 12-17 yrs.  | -11.52                | -.46   | -36.14                | -1.42   |
| Urban/Rural               | -21.40                | -1.32  | -17.01                | -1.00   |
| CONSTANT                  | -46.75                | -.72   | -17.01                | -.26    |

$$\text{Standard Error of the Equation} \quad 102.47 \quad 86.33$$

$$\text{Log (constrained)} \quad -796.18 \quad -433.10$$

$$\text{Log (unconstrained)} \quad -776.74 \quad -404.21$$

$$\text{Log of Likelihood Ratio} \quad 19.44 \quad 28.89$$

$$-2 (\text{Log } \lambda) = -38.88 \quad -2 (\text{Log } \lambda) = -57.78$$

$$p = .05 \text{ d.f.} = 24 \quad p = .001 \text{ d.f.} = 24$$

\*p. < .10  
\*\*p. < .05  
\*\*\*p. < .01

TABLE 4. Demographic Variables as Predictors of Shopping Time

| Independent Variables          | HOMEMAKER             |          | SPOUSE                |          |
|--------------------------------|-----------------------|----------|-----------------------|----------|
|                                | Non-Norm. t-<br>Coef. | Stat.    | Non-Norm. t-<br>Coef. | Stat.    |
| <b>DEMOGRAPHIC VARIABLES</b>   |                       |          |                       |          |
| Education                      | 1.93                  | .43      | 1.18                  | .37      |
| Age 2: 30-34 yrs.              | -23.72                | -.95     | 45.93                 | 1.84*    |
| Age 3: 35-39 yrs.              | -97.81                | -2.59*** | -11.83                | -.35     |
| Age 4: 40-63 yrs.              | -44.49                | -1.08    | -.06                  | -.00     |
| <b>SAMPLING VARIABLES</b>      |                       |          |                       |          |
| Age, Yngst. Child: baby        | -74.14                | -2.12**  | 13.09                 | .43      |
| Age, Yngst. Child: 1 yr.       | -75.09                | -3.38*** | -31.24                | -1.03    |
| Age, Yngst. Child: 2-5 yrs.    | -43.85                | -1.46    | -113.45               | -3.28*** |
| Age, Yngst. Child: 12-17 yrs.  | -11.97                | -.41     | -33.85                | -1.11    |
| Urban/Rural                    | -18.29                | -1.02    | -10.32                | -.54     |
| CONSTANT                       | 85.65                 | 1.87*    | -43.28                | -.88     |
| Standard Error of the Equation | 112.36                |          | 100.20                |          |
| Log (constrained)              | -796.18               |          | -433.10               |          |
| Log (unconstrained)            | -789.69               |          | -419.39               |          |
| Log of Likelihood Ratio        | 6.49                  |          | 13.71                 |          |

$$-2 (\text{Log } \lambda) = -12.98 \quad -2 (\text{Log } \lambda) = -27.42$$

$$p = n.s. \text{ d.f.} = 9 \quad p = .005 \text{ d.f.} = 9$$

\*p. < .10  
\*\*p. < .05  
\*\*\*p. < .01



situational variables tested were the day of the week, month of the year, weather conditions, and two shopping related variables, the dollar amount of purchased services and the number of days in the past week that someone in the family shopped for large ticket items.

The equation predicting the homemaker's shopping time from situational factors was significant at the .05 level of probability (Table 3). One day of the week, Friday, was significant, and positively related to the homemakers shopping time, when compared with the omitted day of the week, Tuesday. January was significant and positively related to shopping time, while October was negatively related to shopping time when those months were compared to the omitted month of July. Weather conditions were significant and positively related to the homemaker's shopping time. Thus, homemakers shopped more when there were no unusual weather conditions.

The equation predicting the spouse's shopping time from situational variables was significant at the .01 level of probability. Days of the week which were significantly and positively related to the spouse's shopping time were Friday and Saturday. The one month which was significant and negatively related to the spouse's shopping time was August, as compared with the omitted category of July. The dollar amount of purchased services was significant and positively related to the spouse's shopping time.

Equations were also used to predict the shopping time of homemakers and spouses from demographic variables (Table 4). The variables included years of education and age. The list of demographic variables was limited because of problems of high intercorrelations; age of shopper was coded as a binary variable for the same reason. The equation predicting homemaker's shopping time was not significant although one age of homemaker category--age 35 to 39--was, and two of the age of youngest child categories--babies and one-year-old children--were significant. Each of these age categories was negatively related to the homemaker's shopping time.

The equation predicting shopping time of the spouse from demographic variables was significant at the .005 level of probability. Two age variables in the equation were significant. The age of younger spouses, ages 30 to 34, was significant, when compared with the omitted category of youngest spouses. The second variable that was significant was the age of youngest child category, children two through five years old, when compared with the omitted category of youngest children ages 6 through 11 years old.

Two final equations were developed to predict the shopping time of homemakers and spouses (Table 5). Variables in the homemakers summary equation were those found significant in each of that individual's four previous equations. Both equations were significant at the .001 level of probability and each had the largest log of

likelihood ratio of the equations for that person--those ratios were 71.56 for the homemaker's equation and 56.00 for the spouse's equation. Comparing the summary equations with previous equations, some differences occurred. Affluence variables in the spouses equation were no longer significant. All time variables in the homemakers equation continued to be significant, although the size of the coefficients changed somewhat. Five of the six time variables in the spouses equation continued to be significant. For the spouse, Friday remained significantly related to shopping time, while Saturday and Sunday were no longer. Sunday became significant for the homemaker and Friday lost significance. Similarly puzzling shifts occurred in the months of the year which were significant in the homemakers and spouses equations. For the spouse, August was one month which had been significant in the situational variable equation continued to be significant in the final summary equation. No month remained a significant predictor of the homemaker's shopping time. The only other variable found significant in either equation was a spouse's age variable. A positive relationship was found between spouse's shopping time and spouses aged 30 to 34, when compared with the youngest spouses.

#### Summary and Discussion

The findings of the study are summarized below.

First, time variables were better predictors of shopping time than were affluence variables, both for homemakers and spouses. In the final summary equations, there were no affluence variables for homemakers and no significant affluence variables for spouses. Daily time use variables of the shopper were negatively related to shopping time, with the exception of the spouse's time in food related work, which was positively related to the spouse's shopping time. Time spent in shopping by the partner was not a substitute for the shopping time of either the homemaker or the spouse. It did, in fact, increase their shopping time.

Second, situational variables were the second best set of predictors among the first four equations tested for the homemaker and for the spouse. One day of the week, Friday, was significantly and positively related to the shopping time of the spouse in both the situational variable and final summary variable equations. One month of the year, August, was significantly and negatively related to the homemaker's shopping time in both the situational variable and final summary equations. Homemakers shopped more when there were no unusual weather conditions. Spouses shopped more when the family spent more dollars on purchased services.

Third, the final summary equations, which included variables found significant in the four previous equations, were the best predictors of the shopping time of homemakers and spouses. The largest number of significant variables in



TABLE 5. Summary Model of Variables Predicting Shopping Time

| Independent Variables                 | HOMEMAKER                     |          | SPOUSE                        |          |
|---------------------------------------|-------------------------------|----------|-------------------------------|----------|
|                                       | Non-Norm. Coef.               | t-Stat.  | Non-Norm. Coef.               | t-Stat.  |
| <b>AFFLUENCE VARIABLES</b>            |                               |          |                               |          |
| No. of Rooms                          | ----                          | ----     | -3.62                         | -.65     |
| Equipment Ownership                   | ----                          | ----     | 1.52                          | .30      |
| <b>TIME VARIABLES</b>                 |                               |          |                               |          |
| Food Related Work                     | -.32                          | -3.09*** | .50                           | 1.77*    |
| Household Maintenance                 | -.38                          | -5.33*** | ----                          | ----     |
| Child Care                            | -.37                          | -3.91*** | -.19                          | -1.36    |
| Unpaid Work                           | -.34                          | -4.87*** | -.33                          | -3.77*** |
| Paid Work                             | -.41                          | -6.50*** | -.16                          | -3.68*** |
| Social & Recreational Time            | -.30                          | -4.97*** | -.11                          | -2.20**  |
| Shopping Time of Partner <sup>1</sup> | .57                           | 3.49***  | .43                           | 4.58***  |
| Shopping Time of Children             | .23                           | 2.91***  | ----                          | ----     |
| <b>SITUATIONAL VARIABLES</b>          |                               |          |                               |          |
| Sunday                                | -40.76                        | -1.81*   | 25.27                         | .80      |
| Monday                                | 3.03                          | .14      | 21.09                         | .78      |
| Wednesday                             | 3.35                          | .16      | -16.16                        | -.52     |
| Thursday                              | -5.68                         | -.26     | 20.18                         | .75      |
| Friday                                | 34.86                         | 1.63     | 55.07                         | 2.26**   |
| Saturday                              | -33.99                        | -1.48    | 12.04                         | .41      |
| January                               | 50.23                         | 1.58     | -41.30                        | -1.16    |
| February                              | -9.12                         | -.33     | -1.77                         | .06      |
| March                                 | -18.64                        | -.63     | 2.49                          | .08      |
| April                                 | 26.49                         | .94      | 27.51                         | .93      |
| May                                   | 30.47                         | 1.07     | -17.81                        | -.58     |
| June                                  | 24.50                         | .89      | -45.53                        | -1.36    |
| August                                | 13.96                         | .47      | -121.31                       | -2.92*** |
| September                             | 19.83                         | .72      | -28.39                        | .07      |
| October                               | -14.73                        | -.49     | -17.02                        | -.53     |
| Nov./Dec.                             | 38.24                         | 1.45     | -20.04                        | -.72     |
| Weather Conditions                    | 56.83                         | 3.29***  | ----                          | ----     |
| \$ of Purchased Services              | ----                          | ----     | .15                           | 2.06**   |
| <b>DEMOGRAPHIC VARIABLES</b>          |                               |          |                               |          |
| Age: 30-34 yrs.                       | -12.61                        | -.76     | 35.73                         | 1.87*    |
| Age: 35-39 yrs.                       | -35.35                        | -1.43    | -13.91                        | -.53     |
| Age: 40-63 yrs.                       | -40.04                        | -1.41    | 2.65                          | .09      |
| <b>SAMPLING VARIABLES</b>             |                               |          |                               |          |
| Age, Yngst. Child: baby               | -22.76                        | -.89     | 25.75                         | 1.15     |
| Age, Yngst. Child: 1 yr.              | -25.81                        | -1.08    | -11.04                        | -.50     |
| Age, Yngst. Child: 2-5 yrs.           | 11.16                         | -.05     | -93.42                        | .34      |
| Age, Yngst. Child: 12-17 yrs.         | 13.19                         | .64      | -15.19                        | -.67     |
| Urban/Rural                           | 3.80                          | .32      | -3.81                         | -.28     |
| CONSTANT                              | 178.04                        | 2.77***  | 63.46                         | 1.01     |
| <b>Standard Error of the Equation</b> |                               |          |                               |          |
|                                       | 70.37                         |          | 68.49                         |          |
| Log (constrained)                     | -796.18                       |          | -433.10                       |          |
| Log (unconstrained)                   | -724.62                       |          | -377.10                       |          |
| Log of Likelihood Ratio               | 71.56                         |          | 56.00                         |          |
|                                       | -2 (Log $\lambda$ ) = -143.12 |          | -2 (Log $\lambda$ ) = -112.00 |          |
|                                       | p. = .001 d.f. = 33           |          | p. = .001 d.f. = 27           |          |

<sup>1</sup>Partner, in the homemaker's shopping time equation, is the spouse's time. In the spouse's shopping time equation, partner is the homemaker.

\*p.  $\leq$  .10  
 \*\*p.  $\leq$  .05  
 \*\*\*p.  $\leq$  .01

both the homemakers' and the spouses' final summary equations were time variables.

#### Conclusions

For the population studied here, time spent in most other activities was an important and a negative predictor of the shopping time of homemakers and spouses. The level of affluence, as measured in this study, was a weak, and frequently not significant, predictor of shopping time. Situational variables are useful in predicting shopping time. The day of week and month of year variables provided somewhat inconsistent results when they were included in two equations.

#### Implications

The results of the study have implications for the development and delivery of consumer information. The allocation of time to other activities, as predicted by Linder, reduces shopping time. Thus the productivity of consumer information might be increased to increase the benefit or, as Maynes would say, pay-off, to time spent in shopping (4). Product testing magazines, which the consumer could subscribe to, are one way to reduce information search costs. Since time scarcity is a major consideration in the development and delivery of consumer information for purchase decisions, emphasis will need to be placed on concise, easy to understand and readily applicable information made available through time efficient delivery systems.

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## CONSUMER POLICY CRITERIA: A STARTING POINT FOR EVALUATION<sup>1</sup>

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### Abstract

Political changes can alter the policies, rules, and regulatory actions that affect consumers. Individuals in the consumer movement need to objectively analyze current and proposed policies to arrive at defensible positions in the consumer interest. The authors suggest ten criteria for such policy evaluations.

Political change is a fact of American life. From political changes flow changes in economic conditions and other circumstances surrounding consumer policy making. Changes in the American scene beginning in 1981 have had and continue to have a profound impact on policies, rule-making procedures, regulatory effectiveness and the representation of consumer interests in the public arena.

Such changes necessitate appraisals of current and proposed consumer policies. These appraisals and possible calls for action are best when based on objective analyses rather than pre-disposition and emotion. Consumers and the consumer movement in a collective sense need to be able to appraise policies and judge the relative merits of alternatives.

Criteria, drawn from a number of perspectives including welfare economics, that could be used to begin policy evaluation include:

#### 1. What are the benefits? What are the costs?

A partial analysis of benefits and costs simply requires that benefits exceed costs. A larger, more comprehensive view requires an examination of the relative benefit:cost ratios of various policies and programs so that scarce resources are allocated to those areas which have the promise of greatest return (i.e. the greatest benefit:cost ratios).

Not only are we concerned about benefit:cost comparisons, and particularly about the relative ratios, but it must be kept in mind that not all benefits and costs lend themselves to monetary measurement. Thus, benefit:cost analyses are

only a partial basis for decision-making; judgments that include non-measurable elements are involved, too, at the policy level. Therefore, broad concerns of equity and distribution of benefits also merit attention.

#### 2. Who receives the benefits? Who bears the costs?

Essentially, these questions focus attention on equity between the proportion of costs which an individual consumer bears and the amount of benefit that a consumer experiences. Further, they suggest the possibility -- possibly the desirability -- of some consumers bearing more than a proportionate share of the costs while others receive benefits greater than their contribution to the costs of the program. In such instances, it is important to identify the groups of individuals bearing costs and accruing benefits.

#### 3. What is the distributional impact of the policy?

A particular policy may have differential impacts on various groups of consumers. When this happens, consideration must be given to which groups are affected. The rich? The poor? Business? Older adults? etc. How are various groups affected?

#### 4. What is the welfare effect?

In the unusual event that a particular policy makes some people better off while not making others worse off, no welfare question is posed. However, in the larger sphere of consumer policy it is much more likely that some people or groups will have their condition enhanced while other consumers or groups of consumers may have their situation diminished. Or, in the broader impacts, business may perceive their lot is adversely affected as a result of the implementation of a certain policy while consumers as a group may see theirs as improved. Therefore, questions arise about whether these changes in welfare are equitable. Can they be defended in terms of being desirable on the ground that total welfare is enhanced? Or, to apply the hard-nosed welfare economics concept, might it be possible (not that it be required, but simply possible) for the gainers to pay the losers and for the gainers to still feel better off than they were before the policy was initiated?

#### 5. What are the efficiency effects?

From an economic viewpoint, the results of a given policy are positive if it encourages more output from a given input of resources, or, al-

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ternatively stated, if it results in the same output being sustained with a lesser input of resources. Clearly, if this situation exists the policy is a success (assuming resources are not used to produce inferior goods/services).

Beyond economic efficiency, however, are concerns about social efficiency. For example, does a policy lead to greater physical health of the population? If so, society gains in general. Or, does a particular policy lead to lessened feelings of antagonism between groups in society? If so, the increased social cohesion may enhance social efficiency.

#### 6. What are the effects on incentives?

A policy that heightens people's incentives to achieve is a potential contribution to the total good. Increased incentive is likely to lead to greater effort which results in more production. Contrariwise, a policy that diminishes incentives subtracts from productivity, making fewer goods and services available to satisfy consumer demands. In the consumer market, the availability of unit price information may provide incentive to comparison shop.

#### 7. What effects will the policy have on variety in life experiences?

Policies that have the effect of making life more monolithic obviously seem questionable in a pluralistic society. The quality of life experienced is often thought to be affected not only by the quantity of goods and services available but also by the variety of life itself. Policies which permit -- even encourage -- variety in choice of life experiences would tend to pass muster in policy evaluation.

#### 8. Would the policy be easy to administer?

The ease with which a policy can be administered affects the costs of implementing that policy. A policy that might be highly desirable on other counts might be suspect if the costs of administering it are too high. Policy analysts who agree with withholding taxes on interest income may still object to implementing such a policy because of the resources required to administer it. This criterion becomes important when considering alternative policies which may be proposed to address essentially the same problem. Alternative policy proposals need to be examined for their ease and relative costs of administration.

#### 9. What are the effects on privacy?

In a society which prides itself on individual freedom and its corollary, privacy, any policy which makes heavy inroads on individual privacy is suspect. However, this, like many other things, becomes a relative matter and our evaluation is likely to come down to a consideration

of which policy offers the least invasion of individual privacy.

#### 10. Long-run versus short-run effects.

Some policies may address short-run concerns primarily while others offer solutions to long-run problems. In fact, most policies have both short- and long-run effects. However, in *ex ante* evaluation of policy proposals, it is appropriate to estimate as best we can the short-run gains in light of long-run effects. Some of these may not be positive. In other words, our lens need to focus on both aspects and, hopefully, not be myopic. On the other hand, policies with long run advantages may impose such high tariffs in the short-run that they are unpalatable.

This list of criteria might be expanded or refined with insights from others. Objective evaluation of consumer policies clearly needs our attention. It is important to apply appropriate criteria in the evaluation of current and proposed policies affecting the consumer interest. Through careful application of well-defined criteria in the evaluation of alternative policies, the consumer movement can more adequately defend appropriate existing policies and advance policy proposals that serve both the public and consumer interest.

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Evaluating Energy Conservation Strategies  
for Public Housing Residents

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"Mary, like most women her age, lives on a fixed income. The spiraling costs of energy, food, clothing and medical services have forced the magnitude of her decisions to the point of being critical. She may be forced to move because her utility bills cost so much. Like other older adults, Mary cannot bargain for salary increases (she has what economists call 'a constrained decision matrix')."

This paper presents the results of a project which examined the success of no- and low-cost energy conservation measures for low-income women 62 years of age or over residing in a public housing development. The research tested the efficacy of a purposefully created conservation program by comparisons between treatment versus control group changes in knowledge and attitudes towards utility conservation as well as KWhr usage (adjusted for degree days). The 17-point educational program was based upon 33 utility company and government pamphlets and handouts as well as a pre-assessment of respondent appliance possession and usage, lifestyle characteristics, and key energy behaviors. Data indicate that, although positive changes in energy attitudes and energy conservation knowledge were recorded for the women receiving the educational presentation, decrease in adjusted KWhr usage (and therefore monetary savings) were frustrated by two factors: 1) Elderly low-income women were already using small amounts of energy, thereby making further reductions more difficult; more importantly, however, 2) The women were "structure locked". Although the minimum HUD building standards were followed, as determined by extensive energy audits of the apartments, these standards were not stringent enough regarding insulation R-Values and passive solar heating and cooling usage. The women in this research were helpless to reduce their energy costs significantly.

INTRODUCTION

Inflation has created a multiplicity of problems for all Americans. The spiraling costs of energy, food clothing and medical services have put a considerable strain on the typical family budget. Older adults cannot bargain for salary increases as an employed person might do and, in fact, older adults face a gradual decline in their real incomes as long as they live (Business Week, 1978).

Although the elderly population consumes less energy than any other age group, a greater proportion of their income is spent on energy (Aging, 1977i). Moreover, the present inverted

utility rate structure (as opposed to, say, a life-line rate structure) places an additional burden on the elderly, since small users pay higher rates than do families who consume larger amounts of energy (Aging, 1977ii). As a result of the dramatic increases in the cost of fuels, the ability of fixed income assistance--has been greatly affected. Thus, the elderly are more likely to be disadvantaged and more likely to be forced to decide between heating (and in certain climates, cooling) and food, medical or quality of life concerns (Castro and Day, 1977).

Many older persons have been forced to limit or eliminate their use of home heating or cooling, which has resulted in exposure to extreme temperatures. An examination of health problems among the elderly discloses that, for several reasons, they often have a physical need for more heat than do younger persons. Persons suffering from arthritis may need higher degrees of home heating to help reduce stiffening of joints. Some medications, such as "blood thinners," which are commonly prescribed to older persons, can cause a person to feel cooler, thus increasing his/her need for heating. In addition, as the body ages, it becomes less efficient at temperature regulation; therefore, the elderly require higher temperatures. Since elderly persons may not be aware of excessive cold and their bodies do not automatically adjust to the temperature changes, these people are more likely to die from exposure to cold. Hyperpyrexia, a condition in which a person is unable to withstand unduly high temperatures, has also led to death in some elderly persons (Castro and Day, 1977).

According to a report by the Community Services Administration in 1980, poor and elderly are most likely to suffer from the energy crisis and at the same time are least able to afford measures which could lower their consumption of fossil fuels (Smith, 1976).

The same report stated that fewer than forty-three percent of low-income households have home insulation and nearly sixty percent have no storm windows, yet they use less energy than the average American household. The most readily available data show that the average low-income households in 1975 used 55.4 percent less electricity and 24.1 percent less natural gas than the average middle-income United States households (Smith, 1976). What can be observed is a group of persons who are using smaller amounts of energy while paying a higher proportion of their income for it. These persons are capable of embracing conservation and the need to adjust lifestyles, but are in a position where addi-

tional conservation is very difficult if not impossible.

Testimony before the United States Commission on Aging revealed that low-income elderly are paying an increasing percentage of their incomes for home energy. In 1976, 16 to 17 percent of the low-income elderly's budget went toward energy; in 1978, it rose to 30 percent; and in the winter of 1979-80, it was estimated to take 50 percent (Castro and Day, 1977). In a report prepared for the United States Department of Energy by the School of Engineering and Applied Science at George Washington University in Washington, D.C., researchers concluded that this combination of conditions "... results in clear discrimination, unintentional as it may be, against the aged in terms of energy usage" (Castro and Day, 1977). Figures cited by several sources tend to back up the previous statement. For example, the poorest one-tenth of the population spends an estimated thirty-four percent of its before-tax income on energy, while the higher one-tenth spends only five percent (Alabama Power Company, 1980). This comes in the face of current political solutions which advocate conservation through free market price increases (price induced conservation).

The energy education materials developed for this research utilized a personalized approach making use of low-cost and no-cost measures. The majority of current energy educational material for consumers is presented through the mass media--television, newspapers and radio. However, an in-depth study of mass media campaigns for conserving energy (5, 27) found that these educational attempts "have been only slightly successful and should be re-examined in terms of both content and mode of distribution. "Other research found that although educational campaigns from the media might affect consumers' attitudes and opinions regarding energy conservation, "they have had little effect on consumption behavior."

There are two main reasons for the failure of mass media campaigns to have a significant effect on consumer's energy conservation behaviors. The first is that these types of presentations don't motivate the recipients to act in an energy-conserving manner. One explanation for this is that, by substituting vicarious experience for genuine participation, "... the mass media encourage passivity and uninvolved participation at the same time that they are informing their audience" (Field, 1973).

In other words, the campaigns encourage an attitude of "that is what should be done," rather than "that is what I should do." Therefore, although recipients of the educational material recognize the value of the suggested activities, in many cases, they aren't motivated to follow through with them. Therefore, mass media doesn't seem to be the most effective way to encourage energy conservation behavior. Instead, personalized, more individualized programs are cited as the best means of presentation. A study of

the effectiveness of mass media campaigns concerning energy conservation (Field, 1973) stated that it is "likely that the same information will be differently received if it is presented personally to the individual rather than through mass media."

#### THE RESEARCH RESPONDENTS AND RESIDENTIAL UNITS

The research reported here examined the energy use patterns of 26 single, non-disabled, white women aged 62 years or older residing in a fifty-unit apartment complex (Hillcrest Apartments) in Tallahassee, Alabama. The complex was constructed with HUD 221 D-4 monies. A concomitant Section 8 rental subsidy program is also offered in which residents pay no more than 25 percent of their adjusted gross incomes for housing. Occupancy is restricted to elderly or handicapped persons whose incomes fall below 80 percent of the median in the area. The units in the complex are identical in design, layout, and size; varying only in solar orientation. Each unit is fully electric and submetered. The research respondents paid their own utility bills in total.

Respondents in the study were volunteers living in Hillcrest Apartments and were placed in either a control group or an experimental group on the basis of two factors: 1) the number of correct answers on a 13-item energy quiz and 2) the number of kilowatt hours of electricity used by each respondent during the December 1980 billing period. These two measures determined the matching of the control and experimental groups on the basis of current energy conservation knowledge and past energy usage. Table I presents these data for each of the 26 respondents and the two matched groups. In addition to the quiz responses, other data were collected prior to the placement of respondents. These included attitudes toward energy conservation, home energy use practices, currently practiced energy conservation measures, and demographic data including respondent's age, prior housing type, and reasons for moving to Hillcrest Apartments. Table II highlights several of the characteristics of the respondents.

#### DEVELOPMENT OF THE ENERGY EDUCATION PROGRAM

After pairing the women into equally balanced control and treatment groups the designated treatment group received an energy education program. The education program was based upon four factors. First, responses in the initial questionnaire concerning current energy practices were examined. For example only five of the 26 respondents ever ironed clothing. Similarly, half of the women took tub baths (quick showers save energy) while the other half took showers. Of the "tub bath takers" most reported that physical conditions prevented them from taking showers while the "shower takers" most reported a similar bias (for physical reasons) against tubs. None of the respondents

indicated a willingness to change their method of bathing.

The second factor considered in making up the educational program was the physical characteristics of the apartments. Water heaters, for example, were less than two years old and were constructed with adequate interior insulation.

A third factor involved the income characteristics of the women in the study and a desire to make the educational program sensitive to the situations of the low-income rental housing residents. The program stressed low-cost and no-cost measures of energy conservation. Therefore recommendations regarding attic insulation, storm windows and the like were omitted. The low-cost and no-cost measures were employed in this study even though expensive energy-saving suggestions (such as the addition of storm windows and extra attic insulation) have been getting most of the attention. The approach in this research was to stress the measures that offer the greatest return for the least effort and expense. The soon-to-be-defunct U.S. Department of Energy estimates these low-cost/ no-cost measures can save up to 25 percent on one's gas and electricity bills.

The fourth and final factor considered in developing the energy education program involved the practices of the management of Hillcrest Apartments. The management had already lowered water heater thermostats in the apartments and stressed defrosting the freezers every seven to ten days.

The energy education program was developed with these four factors in mind. The final 17 low- and no-cost conservation techniques reflected appliance possession and usage, lifestyle characteristics, key energy and income behaviors, management policy, and physical attributes of the apartments. Materials were adapted from various sources including Alabama Cooperative Extension Service, Alabama Power Company, Alabama Gas Company, The Tennessee Valley Authority, The Governor's Science Advisory Committee (Maryland), General Electric Corporation, Gulf Oil Cooperation, the U.S. Department of Commerce, National Bureau of Standards and the U.S. Department of Energy.

In total, seventeen energy conservation techniques were chosen for inclusion in the educational message. Of these measures, three dealt with hot water usage; one with thermostat regulation; five with preventing drafts and using window treatments in an energy conserving manner; one with dressing warmly and seven with cooking methods. The educational demonstration consisted of explaining each of the measures in detail. This was done on a one-to-one basis in each respondent's apartment. Posters showing the "wrong" and "right" way of utilizing a measure were used to strengthen the interest and impact of the independence.

Each conservation method was explained by referring to the script and showing the corresponding poster. Where practical, the research demonstrated the measure to the respondent by actually showing her how to utilize the measure in her apartment. For example, the two energy conservation measures which dealt with using the dishwasher were explained by going into the kitchen and showing the respondent how to set the temperature of the drying cycle and how to cut off the machine after the last rinse cycle, open the machine, and let the dishes air dry. At the end of the demonstration, the respondent was given a handout with written and visual reminders of the measures. Easy-to-read, large print and easy-to-understand diagrams similar to those on the posters were used.

### Results

The efficacy of the conservation strategy was determined in two ways. First, within the treatment group, the change rates in attitudes, knowledge and energy usage (comparisons of KWHrs used pre, during-, and post-treatment periods) were examined. One would expect improvements if the treatment had some positive effect. Secondly, these changes in attitudes, knowledge and adjusted energy usage were compared to equivalent data for the paired control group.

The women's attitudes toward energy conservation were measured in two ways: 1) How important the women thought saving energy was to them (seven point Likert Scale ranging from very important to not important) and 2) How well the women thought they saved energy (seven point Likert scale ranging from thought they did the best possible to didn't think they saved energy at all). These two attitudinal measures showed moderate (non-significant) positive changes in the treatment group's pre- and post-educational program responses while the control group's responses showed no or only slight increase (TABLE III).

The women's scores in the pre- and post-treatment 13-item energy quiz followed a similar pattern to the attitudinal data above. Those women who received the educational program demonstrated a moderate (non-significant), positive increase in number of correct changes when compared to the women not receiving the energy conservation program (TABLE III).

As encouraging as the positive increases in attitudes and knowledge were for the women receiving the educational knowledge program, the most important variable (in the economic sense) of KWHr usage showed little improvement for women in the treatment group. Figure I displays the monthly KWHr usage for women in the treatment and control groups for the three months prior to and following the educational program's administration. One can observe that the difference between the two groups remains constant as the heating system peaks on the January bill and declines with the onset of Spring. If the edu-



cational program had been as effective on behavior as it was on attitudes and knowledge, the difference between the treatment and control groups would have grown after January 14 rather than remaining the same.

#### SUMMARY AND CONCLUSIONS

An energy conservation educational program was effective in improving attitudes toward energy conservation and increasing knowledge about ways to conserve energy. However, the behavioral aspect of the research, the reduction of KWHr consumption, was not achieved. The reduction in energy usage (and money spent for energy), was frustrated by two primary factors. First, elderly low-income women were already using small amounts of energy, thereby making further reductions more difficult. More importantly, however, the women were "structure locked" and were helpless to reduce their energy costs significantly. Although the minimum HUD building specifications were followed, these standards were not stringent enough regarding insulation R-Values and passive solar heating and cooling usage. As a matter of fact, several of the women in the research were contemplating moving out of the housing development due to high energy bills. Four women recorded bills of over \$90 for one month!

Expecting all households to equally adopt conservation measures based upon existing programs has been proven impractical and ineffective. This research recommends revised building standards, a critical review of current utility rate structures, and a reassessment of energy conservation strategies currently employed by most utility companies.

First, solar energy proponents (including progressive utility companies) have demonstrated the benefits of judicious site planning for passive solar interior space apartments on the site so as to maximize southern exposure while limiting the use of glazing on on-southern walls has been demonstrated to save 30-50 percent of a home's heating and cooling costs. In conjunction with overhangs and higher insulation values (Hillcrest Residents received the HUD minimum specification of only R-19 Ceilings and moderate increases in building costs if done at the time of construction. However, once these decisions (insulation levels, overhangs, site orientation, etc.) have been made it becomes very difficult and expensive (or impossible) to remediate. It should be noted from Figure I that the heating degree days (a measure of how cold the temperatures are over a period of time) take the exact same shape as the curves for KWHr usage for the control and treatment groups. This reflects the fact that space heating accounts for the largest portion of winter energy use (60 percent or more for average household). Also, the similarity of the curves demonstrates the degree to which the women in the study have already adopted a low energy use profile for those applications over which they have control.

Secondly, typical energy conservation programs employed by most utility companies greatly favor: 1) homeowners, 2) households with large discretionary incomes, and 3) household with higher educational levels. Other studies (Heffran, 1981) also recommend that since "the current conservation campaigns seem biased toward homeowners and neglect the needs or concerns of renters," that "it is imperative to focus specific campaigns on renters, showing how they are affected by the energy situation and what they can do to reduce their energy costs." An examination of typical utility education programs includes T.V. and radio media sorts which have been demonstrated to be of limited value in promoting energy conservation (Morrison and Gladhart, 1976; U.S. Department of Agriculture, 1976).

Another reason for the failure of these media campaigns may be that the consumers put little faith in energy information generated by the government and major energy companies, the primary sources of these types of educational messages (Field, 1973). This is probably because the American consumer is prone to blame those entities for the energy crisis. In fact, the results of questionnaires given to 782 urban Texas residents found that oil, gas and electric companies and the Federal Government were ranked lowest as accurate and honest information sources regarding energy conservation and are typically biased toward owner-occupied single-family residences. These biases are typified by an Alabama Power's (Southern Utilities Cooperative member) home energy audit simulation which favors recommendations such as storm windows and doors, attic insulation, conversion to a heat pump, etc. which are very costly versus low- and no-cost energy conservation measures. Up to 50 percent of the heat (or cooling) loss in homes can be accounted for by air infiltration. The various low-cost measures which would remedy this situation (plugging pipe and wiring inlets, sealing and weatherstripping baseboards, windows, doors and holes around exhaust fans, etc.) can be accomplished in most homes for under \$50 and can save between 15-25 percent of one's utility bills in both heating and air conditioning seasons.

Finally, one must re-examine current utility rate structures which are "declining block" in nature. This means that the more energy a household uses the cheaper per unit the energy becomes. This obviously encourages large consumption of energy. A more progressive approach would be life-line or so-called conservation rates, which charge a lower rate for the first increment of energy used (say 500 or 750 KWHr per month) and then gradually raises the rates for large domestic uses. This rewards users who consume small amounts of energy and justly charges large users larger amounts for their use above the life-line level. Remember that low-income households typically use much less energy than high-income households.

The research demonstrates the difficulties low-income elderly women residing in a public housing development are having with their energy costs



and the inability of an educational program to help in their energy crisis (Field, 1973). Although positive changes were demonstrated in resident attitudes and knowledge the critical need to reduce KWHr consumption was frustrated. The reduction in utility bills for these women was frustrated due to being structure locked with the inability to afford the modifications necessary to reduce their energy dependence.

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TABLE I  
Selection of Control and Experiment Groups,  
Hillcrest Apartments, Tallassee, Alabama

| Experimental Group |                               |                             | Control Group |                               |                             |
|--------------------|-------------------------------|-----------------------------|---------------|-------------------------------|-----------------------------|
| Apartment #        | Kilowatt Hours Used*<br>12/80 | Correct Quiz<br>Responses** | Apartment #   | Kilowatt Hours Used*<br>12/80 | Correct Quiz<br>Responses** |
| 103A               | 396                           | 8                           | 104B          | 1067                          | 9                           |
| 103B               | 1210                          | 7                           | 104C          | 1074                          | 8                           |
| 103C               | 684                           | 11                          | 106B          | 1161                          | 6                           |
| 103D               | 1266                          | 12                          | 106C          | 398                           | 11                          |
| 104A               | 968                           | 8                           | 107A          | 1413                          | 11                          |
| 104D               | 518                           | 7                           | 107C          | 911                           | 9                           |
| 105C               | 1029                          | 9                           | 108A          | 1024                          | 11                          |
| 106A               | 1167                          | 11                          | 109B          | 1515                          | 9                           |
| 106D               | 1158                          | 7                           | 109D          | 1532                          | 7                           |
| 107B               | 1575                          | 9                           | 110B          | 499                           | 8                           |
| 108C               | 1478                          | 7                           | 110C          | 741                           | 11                          |
| 109C***            | 1112                          | 8                           | 110D          | 1649                          | 8                           |
| 111B               | 1094                          | 6                           | 112B          | 1171                          | 7                           |
| MEAN               | 1050                          | 8.46                        |               | 1089                          | 8.77                        |
| S.D.               | 367.44                        | 1.98                        |               | 386.38                        | 1.80                        |

\*Number of kilowatt hours used between Nov. 10, 1980 and Dec. 12, 1980.

\*\*Test scores are number correct out of a possible thirteen.

\*\*\*Test group member 109C was substituted for test member 112C, who moved from Hillcrest Apartments in March, 1981, before the study was completed. Member 109C received all educational materials that others in the "test" group received.

TABLE II  
Characteristics of the Respondents

| <u>Age of Respondents (years)</u>                 | <u>Control Group</u> | <u>Treatment</u> |
|---------------------------------------------------|----------------------|------------------|
| 62-65                                             | 2                    | 3                |
| 66-70                                             | 5                    | 3                |
| 71-75                                             | 2                    | 3                |
| 76-80                                             | 2                    | 3                |
| over 80                                           | 2                    | 1                |
| <u>Prior Type of Housing</u>                      |                      |                  |
| Single Family-Owner Occupied                      | 8                    | 3                |
| Single Family-Rental                              | 3                    | 5                |
| Apartment-Rental                                  | 1                    | 4                |
| Mobile Home-Rental                                | 1                    | 1                |
| <u>Prior Space Heating System</u>                 |                      |                  |
| Space Heater-Gas                                  | 8                    | 7                |
| Floor Furnace-Gas                                 | 1                    | 3                |
| Wall Heater-Gas                                   | 1                    | 1                |
| Central-Gas                                       | 1                    | 0                |
| Floor Furnace & Space Heater(s)                   | 1                    | 2                |
| Central-Electric                                  | 1                    | 0                |
| <u>Reasons for Moving to Hillcrest Apartments</u> |                      |                  |
| Cheaper                                           | 2                    | 2                |
| Easier to Maintain                                | 4                    | 1                |
| Racial Reasons                                    | 1                    | 1                |
| Safer                                             | 0                    | 1                |
| Closer to Family                                  | 3                    | 3                |
| Greater Independence                              | 0                    | 2                |
| Other                                             | 3                    | 3                |

TABLE III

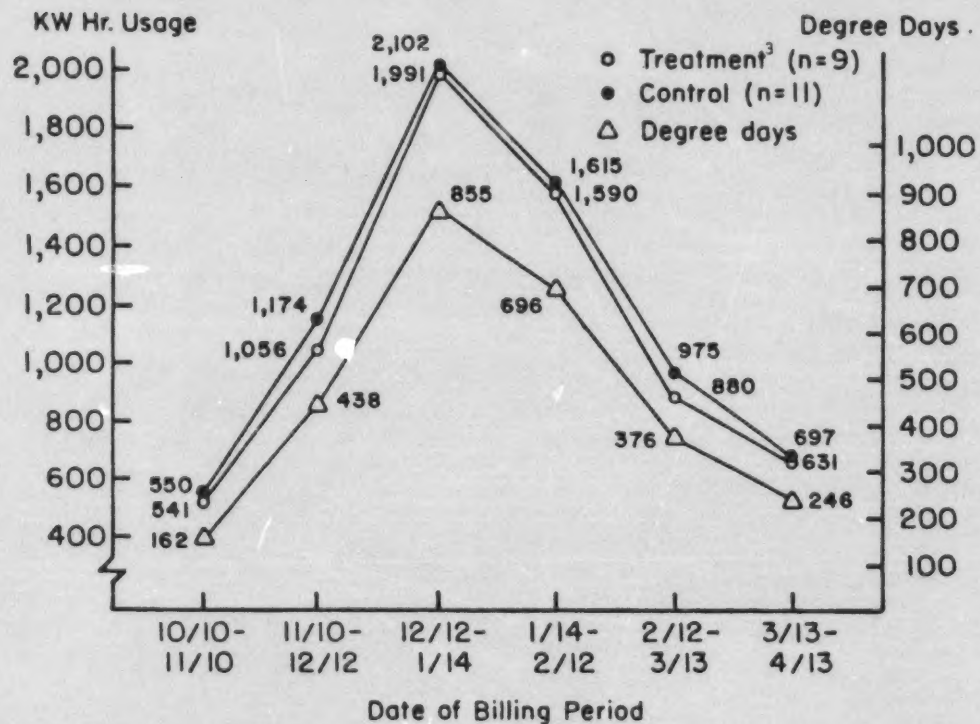
Pre- and Post-Treatment Attitudes Towards and  
Knowledge of Energy Conservation for Treatment and Control Groups

| Attitudes                                                                                                                                                           | Treatment Group |                | Control Group |                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------|---------------|----------------|
|                                                                                                                                                                     | Pre-Treatment   | Post-Treatment | Pre-Treatment | Post-Treatment |
| Importance of<br>Saving Energy<br>(seven point Likert<br>Scale 1 = not at all<br>important; 7 = very<br>important)                                                  | 4.31            | 5.00           | 4.54          | 4.54           |
| How Well They Felt<br>They Saved Energy<br>(seven point Likert<br>Scale 1 = thought they<br>did the best possible,<br>7 = didn't think they<br>saved energy at all) | 4.00            | 4.85           | 4.46          | 4.69           |
| <u>Energy Quiz (13-items)</u>                                                                                                                                       |                 |                |               |                |
| Average number of<br>questions answered<br>correctly                                                                                                                | 5.69            | 7.46           | 5.85          | 6.62           |



Figure I

Average Monthly KWHr Usage for Three Months Prior To and Following the Treatment Group Demonstration<sup>1</sup> Including Heating Degree-Days<sup>2</sup>



<sup>1</sup>The educational Demonstration was administered 01/14/81

<sup>2</sup>Heating Degree Days are defined to be the daily mean temperature (°F) subtracted from 65°F and summed for the period

<sup>3</sup>Residents leaving their apartment for more than two days and/or nights during a billing period were omitted from the analysis

CONSUMER PRICE INFORMATION PROGRAMS:  
NEED, FEASIBILITY, AND DESIRABILITY

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Abstract

Consumer price information programs have the potential to lower the cost of individual search and reduce price dispersion in local markets. Several such programs have been tried and many more contemplated and recommended. Our recent experience with one such program convinced us of the importance of evaluating the desirability of such programs in specific product markets. In this paper we develop a framework for the *a priori* evaluation of the need for and the feasibility of price information programs. These two criteria are then used to jointly determine the desirability of the program. The framework is applied to six product markets. Based on our results, which incorporate considerable judgement on our part, price information systems in some product markets are not desirable despite strong need. The procedure we outline requires refinement, additional application, and research into the relative importance of certain key factors.

Having just completed a frustrating, hectic, and sometimes less than satisfying (but professionally invigorating) experiment with buyer information enhancement in food markets, the temptation is strong to try to identify product markets where such an exercise might be easier and more productive [2]. We incurred the wrath of grocers, suffered the loss of support of the medium disseminating the information, and were largely unappreciated by consumers. Were it not for the support and encouragement of our professional and government colleagues and the observation that sellers' pricing behavior was modified in a competitive direction by the information program, we might have become noticeably despondent. It occurred to us that the need for such an information program and its feasibility should be thoroughly examined before again committing scarce resources and sensitive people to such an endeavor.

It is toward the development of a framework for the *a priori* evaluation of the desirability of a price information program that this paper is devoted. We will argue that the desirability of supplemental buyer information is related both to the need for such information in the relevant market and the feasibility of its efficient and accurate provision. Each of these contributors is, of course, itself a function of numerous factors. We will explore each in turn and apply our framework, albeit crude, to the appointed task in six product markets: food and sundries, auto parts, optical services and products, insurance, credit, and home appliances.

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The Role of Consumer Information Programs

Much theoretical attention has been devoted to the existence and consequences of information imbalances between buyers and sellers [6,8,9,10,11]. In general, seller market power is believed associated with information asymmetry and confusing, if not also spurious, differentiation. Unwarranted price dispersion among competing sellers is the ultimate result. While other alternatives are entertained, improved buyer information is often suggested as the most direct and practical solution to this competitive imperfection. Stigler [13] lucidly argued that rational buyers would equate the costs and returns to information search at the margin, thereby establishing the equilibrium level of search. Stigler's search rule of course, does not preclude price dispersions which are justified by valid quality and service differences among sellers. In addition, however, his rule allows the continuance of large, unjustified dispersions when search costs are correspondingly high. This latter condition implies that if search costs for the individual buyer could be reduced, search activity would increase and price dispersion drop. The prevalence of high search costs is plausible due to the technical complexity of some products, the large number of sellers over which to search, high consumer opportunity costs, and frequent price changes, to name only a few factors. A plausible prescription in such cases would be the centralized collection, processing, and dissemination of information for use by a large group of buyers.

Maynes, *et al.* [5] have laid out plans for local consumer information systems to serve just this search cost-reducing function. Boynton, *et al.* [2], Devine [3], and Devine and Marion [4] have tested specific types of food price information systems in U.S. and Canadian cities. Everyone involved in such activities seems to agree that payoffs to widespread information provision are high but all have failed, as best we can tell, to explicitly address the question of where -- which product markets -- the largest payoffs are likely to occur. In this era of reduced expectations and commensurate resource reductions, allocating our dollars, expertise, and energy to achieve the largest return is of vital importance. In this paper we develop a framework for making such evaluations. Perhaps because we are economists our focus is on the evaluation of price information systems. In such systems one endeavors to either hold quantity and service constant across firms/products or let buyers make those price-quality tradeoffs armed with improved price information. In Shephard's consumer research taxonomy, our information system evaluation framework includes all three market components -- consumers, producers, and the product [12]. Our scheme has important implications for consumer educators, researchers, and policy-

makers.

#### The Need for Consumer Price Information

Eight (8) factors are hypothesized to impact the consumers' need for comparative price information across firms. These are

1. dispersion of prices
2. the number of sellers
3. search time required
4. share of annual budget allocated to product
5. price saliency
6. prior information available
7. frequency of price changes
8. knowledge required for effective search.

Dispersion of prices. This is probably the single most important factor affecting the need for buyer price information. It is at the same time a symptom of the consumer's information problem and a measure of the potential return to additional search.

Number of sellers. This factor plays a dual role and although it is hypothesized to have a negative correlation with need, perhaps its net impact on information need is ambiguous. As the number of sellers increases, *ceteris paribus*, the more effective should competition be in the market and the smaller the need for consumer information. At the same time, however, the more alternative outlets the buyer faces, the greater is the search job. This effect of the number of sellers is taken up under the next factor - search time required. It should also be recognized that a large number of sellers could be associated with a small set of dominant firms with major market shares. This suggests that the largest firm's market share and the four and eight firm concentration ratios should also be examined in an effort to assess the extent of competition in the market under study.

Search time required. The amount of time required to acquire price information is positively related to the number of sellers, the complexity of product attributes, the number of products typically purchased per shopping trip (e.g. contrast this for groceries and home appliances), and the necessity of on-premise search.

Share of annual budget. *Ceteris paribus*, the more importance the product assumes in the typical consumer's household budget, the greater the

need for price information. The Bureau of Labor Statistics can readily provide such information for a restricted number of consumer types/localities.

Price saliency. As price takes on more importance in consumers' store and/or product choice criteria set, the more crucial is timely, accurate, and comprehensive price information. One could argue that as price saliency increases, so will consumers' perceived search returns. This might moderate the need for additional price information. It is also possible that additional price information may increase price saliency among consumers.

Prior information available. Consumers acquire price and product information from a variety of sources, including advertising, information publications (e.g. "Consumer Reports"), other consumers, and experience. While advertising can be very helpful to consumers, it is typically not designed to facilitate store price comparisons, at least not in food markets (see for example [1]). Experience is positively related to frequency of purchase. All these factors too are related to the search/knowledge sophistication of the consumer.

Frequency of price changes. The more frequently sellers change prices, the greater are the search costs. That is, having invested in search, a consumer finds the information obsolete as rapidly as sellers adjust prices. This problem was recognized by Maynes, et al. [5, p. 26]. It suggests the need for centralized search and widespread information dissemination.

Knowledge required for effective search. Some products are technically complex, requiring considerable knowledge for truly effective search (e.g. stereo components). That is, if accurate and useful price comparisons are to be made, product characteristics must be evaluated either to make reliable price-quality tradeoffs or in order to assemble a group of relatively homogeneous alternative products/firms from which to choose the least expensive. This knowledge factor along with search time and cost defines the extent of buyer validation of existing price dispersion in the market.

#### The Feasibility of Public Provision of Price Information

Feasibility encompasses the notion of cost of an information program but is not limited to cost considerations alone. Nine (9) factors are expected to affect the feasibility of the widespread dissemination of comparative price information in a market. These are

1. product homogeneity
2. sellers' margin shifting potential
3. number of sellers



4. frequency of provision necessary
5. feasibility of use of public media
6. potential price collection error
7. importance of services to buyer
8. sellers' ability to impose other rationing methods
9. ease of representing the firm/store price structure via a compact message unit.

Product homogeneity. The more homogeneous the product is across sellers, the more easily can price serve as a proxy for value. This is crucial to the feasibility of price reporting. When products are not homogeneous, it becomes important to feasibility whether these non-price qualities can be assessed prior to or only after purchase (see for example [7]). If purchase frequency is low and the latter condition prevails, the feasibility of price information falls.

Margin shifting potential. When sellers can respond to a price report by lowering prices on surveyed items while raising prices of non-surveyed ones, the benefits of reporting may be dissipated. This problem is related to the number of items carried, the frequency of price changes, the number of items purchased per visit, and sellers' knowledge of the identity of items included in a composite price measurement (if one is reported). The latter factor is also affected by the ability of the surveyor to collect needed price data without detection over the long run.

Number of sellers. As the number of sellers in a market area rises, the feasibility of a comprehensive price report declines. One remedial measure in the case of a large number of sellers, is to randomly rotate those surveyed each reporting period.

Frequency of provision necessary. A price report is less practical (or at least much more costly) as the frequency of its publication increases. As the frequency of purchase and the frequency of price changes increase, so does the need for more frequent reporting.

Feasibility of use of public media. Public media (such as newspapers, radio, and television) offer a relatively low cost -- in some cases even free -- means to disseminate price information to a large proportion of the potential buyers. Both the cost and the breadth of information dissemination affect price reporting's feasibility, at least in the long run. The willingness (ability?) of these media to sell or donate space for an on-going price information program may be impaired by economic pressures brought by advertisers. If the product(s) included in the report are sold by major newspaper advertisers, the only viable, permanent dissemination medium may be direct mail -- a costlier alternative with a longer lag.

Potential price collection error. As specifications for the surveyed product proliferate (e.g. size, slight formulation variations, grades), the skill of the surveyor becomes more important to the successful execution of a price reporting system. Such proliferation increases the potential for error, even among trained surveyors. This problem is closely related to the number of items carried by the surveyed outlets.

Importance of service. If service after the sale or services associated with the purchase of the product (e.g. store convenience, salesperson attributes) are important components of the purchase decision, then price reporting may not be an accurate barometer of value. This factor of course, is a variation on product heterogeneity previously discussed.

Ability to impose other rationing methods. Faced with an on-going price reporting system, sellers may be able to reduce price on the included item(s) but restrict its sale by other means. These might include stocking only a limited supply, quantity purchase limitations, or special buyer qualification requirements (e.g. loan qualification terms or insurance rate qualification requirements). Of course, to the extent buyers discipline sellers who engage in these restrictive practices, their continuance and severity will be greatly reduced.

Ease of representing store price structure with a compact price message. Any price report is likely to convey a price impression among buyers which extends beyond the specific items mentioned in the report or included in the survey. If a single item or small group of items can be surveyed and reported which i) tend not to create a major price impression beyond their own boundaries or (ii) accurately create such a broadened impression, then the feasibility of price reporting is greatly enhanced. The ability to successfully cope with this impression-creating problem is negatively related to the number of items carried by the store/firm and the number of items purchased from a store/firm per visit, and positively related to the homogeneity of the product line carried.

#### Need and Feasibility

It is expected that some product markets will exhibit substantial need for additional price information but its provision may be quite impractical. This would suggest careful consideration be given before undertaking a price information program. Similarly, with high feasibility but low need, the wisdom of embarking on an information system should be questioned. It would seem appropriate to follow a framework such as this both to evaluate the desirability of an individual information project and to choose among alternative product market information projects.



While the need-feasibility-desirability framework developed here has the potential to capture the advisability of beginning any contemplated price information program, its power in this regard is unfortunately limited. Specifically, the limitation arises from the lack of a sound and comprehensive basis with which to aggregate the several need and feasibility factors. Is dispersion more important in establishing need than the product's share of the budget? Or, should homogeneity contribute more to an information program's feasibility than the potential for collection error? Until these questions can be answered better, the user of the framework may wish to try his or her own weighting scheme or try a type of "sensitivity analysis" to establish the stability of a particular outcome.

#### Application of the Framework to Six Product Markets

Six product markets were chosen in which to apply the evaluation framework. The accompanying tables summarize the evaluations made for the Lafayette/West Lafayette, Indiana market. In the case of several need and feasibility factors, specific products within the six product groups were used for the evaluation. These were

1. food and sundries: a 100-item food and non-food marketbasket
2. auto parts: 48 month, maintenance free battery
3. optical services and products: soft contact lenses and associated services and cleaning products
4. insurance: auto insurance
5. credit: 36 month, new car loan
6. home appliances: 19 inch, solid state color television.

The results of the need evaluations are presented in Table 1. High, moderate, or low characterizations only were attempted. The overall information need rating was constructed using equal weights for all eight factors. Food markets were determined to have the greatest need despite low dispersion. Automobile parts and optical services/products received relatively low evaluations of need due to a pattern of moderation across all factors. For reasons already discussed, the reader should not be concerned with the absolute magnitude of these overall ratings but instead use them as a set of relative measures. Note too that these relative ratings might differ if done for a different geographical market.

Table 2 summarizes the determination of an

information system's feasibility in these six product markets. In general, the feasibility evaluations are not location specific, as were the need evaluations. Optical services/products were judged to be the most feasible market for a price information system. Food received a very low feasibility rating due to sellers' margin shifting potential, necessary frequency of provision, and the inability to use low cost, broad coverage media for dissemination. Overall evaluations were again made by assigning equal importance to all feasibility factors.

When the need and feasibility ratings are considered jointly, a rating of the desirability of a price information system can be obtained for a product market. Table 3 reports desirability or advisability ratings for the six product markets, calculated as the simple sum of the need and feasibility ratings. Insurance receives the highest rating, followed closely by appliances, credit, and optical services/products. Food, despite its high need rating, has the lowest desirability rating. No wonder our food price reporting experience was unsettling.

#### Conclusions

The framework just presented and tested likely does not produce distinctions between product markets which are wide enough. Our belief is that need and feasibility likely differ more between product markets than our crude scale and weighting system could capture. More work is clearly called for to refine and enrich the framework begun here. In spite of its shortcomings, however, use of an evaluation procedure such as this would be a useful exercise for anyone contemplating any type of a buyer information program.

This framework does suggest quite clearly, that net information system payoffs are likely to differ substantially among products. Further, public reporting although justified (need), may be infeasible and therefore inadvisable; or, while feasible, may not be justified. Crucial factors in these evaluations seem to be price dispersion, search time required, prior information available to buyers, and the feasibility of the use of media with high market penetration.

Table 1. The Need for Consumer Price Information in Six (6) Markets

| FACTOR <sup>a</sup>                            | FOOD<br>& SUNDR. | AUTO<br>PARTS | OPTICAL<br>SVCS/<br>EQUIP | INSUR-<br>ANCE | CREDIT | HOME<br>APPLIANCES |
|------------------------------------------------|------------------|---------------|---------------------------|----------------|--------|--------------------|
| (+) Dispersion of Prices <sup>b</sup>          | L                | M             | M                         | H+             | M      | L                  |
| (-) Number of sellers <sup>c</sup>             | L                | M             | M                         | H              | M      | M                  |
| (+) Search time required                       | H                | L             | M                         | M              | L      | H                  |
| (+) Share of annual budget <sup>d</sup>        | H+               | L             | L                         | M              | M      | L                  |
| (+) Price saliency                             | H                | H             | L                         | M              | H      | M                  |
| (-) Prior information available                | H                | M             | L                         | L              | M      | M                  |
| (+) Frequency of price changes                 | H                | M             | L                         | L              | M      | M                  |
| (+) Knowledge required for<br>effective search | L                | M             | H                         | M              | M      | H                  |
| OVERALL INFO NEED RATING <sup>e</sup>          | 19               | 15            | 15                        | 17             | 16     | 16                 |

a Hypothesized correlation between factor and information need is in parentheses before each factor. L = low, M = moderate, and H = high.

b Dispersion in a Lafayette, Indiana sample (1981) was car battery (26%), soft contact lens (20%), auto insurance (63%), auto loan (21%), and 19 inch, color TV (8%); food/sundries was 6% based on a 4 city, midwest survey in 1979-80. Dispersion expressed as the price range as a percentage of the average price.

c Based on "Yellow Pages" estimate in Lafayette, Indiana. Counts of firms or brands were 6-8, 15-20, 20-25, 40-50, 25-30, and 10-20, in order for products listed above, left to right.

d Based on BLS-CPI expenditure weights, December 1978. Weights in order from left to right were, 16-18%, 1-3%, less than 1%, 4-6%, 7-9%, and 2-4%.

e If the factor is positively related to feasibility, Low = 1, Moderate = 2, High = 3, High+ = 4; if negatively related, Low = 3, Moderate = 2, High = 1. The overall rating is the sum of the scores for all factors; the greater the rating, the greater is the need for consumer price information.

Table 2. The Feasibility of Public Provision of Comparative Price Information in Six(6) Markets

| FACTOR <sup>a</sup>                                                | FOOD<br>& SUNDR. | AUTO<br>PARTS | OPTICAL<br>SVCS/<br>EQUIP | INSUR-<br>ANCE | CREDIT | HOME<br>APPLIANCES |
|--------------------------------------------------------------------|------------------|---------------|---------------------------|----------------|--------|--------------------|
| (+) Product homogeneity                                            | L                | M             | H                         | M              | L      | H                  |
| (-) Margin shifting potential                                      | H+               | M             | L                         | M              | L      | M                  |
| (-) Number of sellers                                              | L                | M             | M                         | H              | M      | L                  |
| (-) Frequency of provision necessary                               | H                | M             | L                         | L              | M      | M                  |
| (+) Feasibility of use of public media                             | L                | L             | M                         | H              | H      | M                  |
| (-) Potential price collection error                               | H                | M             | M                         | L              | L      | M                  |
| (-) Importance of service(s)                                       | M                | L             | H                         | M              | L      | M                  |
| (-) Ability to impose other rationing methods                      | L                | L             | L                         | M              | H      | L                  |
| (+) Ease of representing store price structure via compact message | L                | M             | H                         | H              | H      | M                  |
| OVERALL FEASIBILITY RATING <sup>b</sup>                            | 13               | 19            | 22                        | 21             | 21     | 21                 |

a Hypothesized correlation between factor and reporting feasibility is in parentheses before each factor. L = low, M = moderate, H = high.

b If the factor is positively related to feasibility, Low = 1, Moderate = 2, High = 3; if negatively related, Low = 3, Moderate = 2, High = 1, High+ = 0. The overall rating is the sum of the scores for all factors; the greater the rating, the more feasible is a price reporting system hypothesized to be.

Table 3. Potential Success of Public Price Reporting in Six(6) Markets

| RATING <sup>a</sup>              | FOOD<br>& SUNDR. | AUTO<br>PARTS | OPTICAL<br>SVCS/<br>EQUIP. | INSUR-<br>ANCE | CREDIT   | HOME<br>APPLIANCES |
|----------------------------------|------------------|---------------|----------------------------|----------------|----------|--------------------|
| NEED RATING                      | 19<br>H          | 15<br>L       | 15<br>L                    | 17<br>M        | 16<br>M  | 16<br>M            |
| FEASIBILITY RATING               | 13<br>L-         | 19<br>M       | 22<br>H                    | 21<br>H        | 21<br>H  | 21<br>H            |
| DESIRABILITY RATING <sup>b</sup> | 32<br>L          | 34<br>M-      | 37<br>M+                   | 38<br>H-       | 37<br>M+ | 37<br>M+           |

a Numerical scores transferred from Tables 1 and 2. L = low, M = moderate, H = high.

b Sum of need and feasibility; indicates desirability or advisability of adopting a public price reporting system.

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AN INTEGRATED APPROACH TO FINANCIAL CRISIS MANAGEMENT:  
A FAMILY CONTEXT MODEL

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Abstract

With the expected increase in people turning toward financial counseling services, it becomes important to examine not only the type of assistance available, but also the quality of the service provided. One type of service, Consumer Credit Counseling Service (CCCS), was used as the setting for the potential application of an integrated approach to financial crisis management. A proposed model, the Family Context Model, integrates the financial aspects of counseling with the personality characteristics and interactions of individuals within the framework of family crisis theory.

In the 1980's the field of financial counseling is expected to undergo a marked expansion. In coping with increasing inflation, rising unemployment, and general concern for making ends meet, more and more people are turning toward financial counselors for assistance with financial matters.

There are two types of services available for those in need of financial counseling: financial planning and financial counseling. Financial planners work with individuals and families to help them plan and meet financial objectives. The main goal of the financial planner is to help people better understand their financial affairs and plan for a more productive future (3). Financial counselors work in community or government funded agencies and operate on a non-profit basis. The counselors work with individuals and families to help them meet their financial obligations and improve their financial management skills. The main services provided by financial counselors are debt adjustment and money management education. Some commercial agencies charge their clients for services and operate on a profit basis (4).

One type of financial counseling agency, the Consumer Credit Counseling Service (CCCS), will serve as the setting for the potential application of the model presented in this paper. CCCS was one of the first non-profit community based financial counseling services in America. In 1957 there were two CCCS agencies and in 1970 there were a total of 200 agencies. This expansion raises the issue of whether or not the CCCS programs are able to meet the clients' objectives.

Five researchers have evaluated the CCCS agencies by investigating clients' behavior and attitudes

(7, 13, 5, 15, 11). These five researchers reported that the counseling programs appeared to be helping clients out of their immediate indebtedness but concluded that more emphasis needed to be spent on changing clients' behavior to help them avoid future financial difficulties.

Behavior change is most often prompted by attitudinal and value changes. It may be that clients' future financial difficulties could be avoided if counseling focused not only on the financial aspects of the family but also on personality characteristics and family interaction variables. In fact, it has been acknowledged in the financial counseling literature (7) that personality characteristics and family interaction variables may influence one's financial crisis situation; however, it is recommended that the financial counselors refer the client to another type of counselor to handle those problems. One short-coming of this approach is that a client must deal with two counselors in independent sessions.

The model proposed here, the Family Context Model, suggests that financial problems do not occur in a vacuum but that individual characteristics and interactions of family members are major factors in determining whether or not a particular financial problem will produce a crisis situation. It may thus prove fruitful for financial counselors to consider more than financial variables in their attempts to help individuals and families understand how the crisis situation arose, what they can do to deal with the crisis, and how they can avoid similar situations in the future.

Framework for the Development of the Family  
Context Model

The framework for the Family Context Model is as follows:

- I. Types of counselors
- II. Crisis situations: Determining factors
  - A. Definitions of crisis situations
    1. Definition of stress
    2. Definition of crisis
  - B. Family context: GAVES variables
- III. Vulnerability to and recovery from crisis situations
  - A. Application of Burr's principles
  - B. Determining level of functionality

Types of Counselors

The Family Context Model suggests that there be at least two levels of financial counselors: (1) those who are trained specifically at handling financial matters only, and (2) those trained to

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handle financial matters, personality characteristics, and family interaction variables. There may be sublevels within these two levels, and it would be the responsibility of individual States to determine qualifications and licensing procedures. Excellent manuals have been written describing the art of financial counseling on the first level (6, 8, 12). Therefore, the specifics of that type of counseling will not be discussed here. Specifically, the Family Context Model addresses the second level: the integration of marriage and family crisis models with the already recognized techniques of financial counselors for dealing with financial crisis situations.

#### Crisis Situations: Determining Factors

##### Definitions of Crisis Situations

**Definition of Stress.** Frequently the words stress and crisis are used interchangeably in the literature describing distressing financial situations. However, the two words have quite separate and distinct meanings. In the Family Context Model, stress is defined as the nonspecific response of the body to any demand made upon it (16). Stress consists of the biochemical reactions that occur in the body when one experiences a stressor such as the death of a spouse or the burning down of one's home. Thus, stress is ongoing, may build up over time, and a certain amount of stress is normal. In some people stress is expressed as anxiety or worry ("Will I have enough money to get me through until payday?"); for others it may be expressed as nervousness, tension, or headaches. If stress builds up it can result in emotional and physical illness which can precipitate a crisis situation for an individual or family.

**Definition of Crisis.** In the Family Context Model crisis situations are defined as those in which the family system is so disrupted or disorganized that it is not able to operate in its routine or usual manner. The normal family routines are upset and the day-to-day needs of the family cannot be met. In a crisis situation the family is faced with a problem that cannot be readily resolved by using the coping mechanisms that worked in the past. Faced with mounting tension and anxiety, the family members become even less capable of finding a solution. In this situation individuals feel helpless, and are often unable to initiate actions which could solve the problem (1).

From this point of view, then, stress and crisis may be viewed as being on a continuum with stress at one end and crisis at the other end. As stress increases, a crisis may be produced.

##### Family Context: GAVES Variables

All financial crises occur in a family context. As individuals we are all members of a family regardless of whether or not we are currently

living in a family situation. A family can be conceived of as an arena of interacting personalities who are organized internally into positions, norms, and roles (9). Father, mother, and children all have proscribed positions, roles, and norms which they try to maintain. Viewed externally, the family can be seen as an organized group which engages in transactions with other associations.

How family members view each other, their goals, attitudes, values, expectations, and their interactions with each other and other organizations will be factors in determining how well they weather stresses and financial crises when and if they occur. In the Family Context Model these variables are labelled GAVES (for goals, attitudes, values, expectations, and external supports). It is hypothesized in this model that the GAVES of each family member will influence the family's vulnerability to and ability to recover from stress and crisis situations. Specifically, it is hypothesized that high congruency (similarity and mutual supportiveness) between family members' goals, attitudes, values, expectations, and supports will be related to low vulnerability to stress and ease of recovery from crisis situations.

##### Vulnerability to and Recovery from Crisis Situations

##### Application of Burr's Principles

Burr (2) has suggested that nine principles are related to an individual's vulnerability to stress and ability to recover from crises. In the model proposed here, Burr's principles are utilized as dimensions for evaluation of the level of family functioning at the time of the initial counseling interview. One additional dimension has been added: that of "responsibility". These ten dimensions of family functioning are illustrated in Figure 1 and are defined below.

##### Determining Level of Functionality

After interviewing the clients and assessing the areas covered in the ten dimensions of family functioning, the counselor can use that information to determine the family's "level of functionality" (14). The level of functionality in the Family Context Model refers to the level at which the family members' needs are met on a day-to-day basis. In determining level of functionality the counselor rates each family member on all of the ten dimensions. It is hypothesized that the degree of congruence of the GAVES variables will influence the family's level of functionality. In addition it is hypothesized that the level of functionality will be reflected in the degree of congruence between family members on the ten dimensions of family functioning. Thus the level of functionality may be measured by the degree of congruence between family members on the ten dimensions of family functioning.

In the Family Context Model this degree of congruence is viewed as a "functionality index".

Figure 1. Determining Level of Functionality (each family member is rated on all of the ten dimensions of family functioning)

|                                                     |                       |
|-----------------------------------------------------|-----------------------|
| <u>Adaptability</u>                                 |                       |
| Flexible.....                                       | Rigid                 |
| <u>Integration</u>                                  |                       |
| Well-organized.....                                 | Disorganized          |
| <u>Blame</u>                                        |                       |
| External.....                                       | Internal              |
| <u>Perception of Severity of Situation</u>          |                       |
| Normal.....                                         | Abnormal              |
| <u>Decision-making</u>                              |                       |
| Democratic.....                                     | Authoritarian         |
| <u>Responsibility</u>                               |                       |
| Shared.....                                         | Individual            |
| <u>Anticipation</u>                                 |                       |
| Long.....                                           | Short                 |
| <u>Participation of Wives in Roles Outside Home</u> |                       |
| Moderate.....                                       | Lacking/over-involved |
| <u>Marriage</u>                                     |                       |
| Satisfied.....                                      | Dissatisfied          |
| <u>Prior Learning</u>                               |                       |
| Experience.....                                     | Inexperience          |

1. Adaptability refers to the family's flexibility in meeting situations.
2. Integration refers to the adequacy of the family's organization.
3. Blame for the stressful event can be placed either within the family or outside of the family system.
4. Perception of the severity of the situation can be either normal or abnormal.
5. Decision-making by the family can be of a democratic nature (family council) or can be authoritarian.
6. The responsibility for the situation can be either shared or held by one individual.
7. The amount of time that crisis events were anticipated can be either of short or long duration.
8. Participation of wives in roles outside the home can be non-existent, moderate, or over-involved.
9. Marital satisfaction of dissatisfaction will affect vulnerability to stress and ease of recovery from crisis situations.
10. Prior learning or experience with a crisis event may make families less vulnerable to that stress or crisis and facilitate the ease of recovery.

Once the counselor has this index identified for a family, two courses of action are possible:

(1) Immediate discussion of areas possibly related to the crisis situation can begin and first steps toward a solution may be taken. (2) The groundwork for long-range plans to discuss the GAVES variables (as they relate to present level of family functionality) can be laid. This second step is most important because hypothetically the GAVES variables underly family functionality and affect whether or not individuals or families experience a situation as a crisis.

In summary, the counselor can help families find solutions to their own problems by helping them identify areas of incongruence on the ten dimensions of family functioning and by initiating discussion of the GAVES variables.

## Conclusion

The Family Context Model offers a way for the financial counselor to look at the total situation of the family in order to identify ways of assisting the family through a crisis as well as investigating ways to prevent future crises. Financial counselors have typically focused only on the financial aspects of a crisis situation, leaving the family to deal with other variables on their own. The Family Context Model is an attempt to integrate both financial and personal interactional components into a single counseling situation.

This model should not be perceived as a prescriptive model but rather as one tool which the creative counselor can utilize in his or her repertoire of counseling techniques. This model is only a beginning; specific assessment tools and interview items need to be developed. With the development



of assessment tools and new approaches to counseling, the Family Context Model will then be ready for the next step: field testing.

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## ALTERNATIVE CAREER LADDER FOR CONSUMER AFFAIRS PROFESSIONALS

John R. Burton, Ph.D., University of Utah

In 1975 when I conducted my pioneering study of career opportunities for consumer affairs professionals (CAPs), I gave an optimistic report about the future growth of the profession. Business was either enlightened or was at least trying to ward off the possibility of government intrusion by initiating pro-consumer policies and/or establishing consumer affairs departments (CADs). In the public sector, the local government financial crises and the fear of Big Brother Government were not such greatly perceived problems and therefore, many state and local consumer protection agencies were flourishing.

We are all aware that a lot has happened to the consumer movement since 1975. Some see these changes as significant set backs for consumerism, others see them as the maturing of consumerism. However, no matter what the label, my observations as chair of the ACCI Career Opportunity Committee tell me the bottom line is that students of consumer science will have considerable difficulty in acquiring a CAP position. Whether this is the result of an anti-consumer mood or a reflection of the current depressed economy, the effect is still the same, you as consumer science majors will find that the pursuit of a career as a CAP difficult to attain. Note, however, I used the word difficult, I did not use the word impossible.

Most of you will probably not find CAP jobs available, especially at the entry level. My 1975 data indicated that a substantial proportion of the then employed CAPs had entered their firms in jobs other than that of consumer affairs professional. Many had previously been in marketing, public relations, or some related field. Although the newness of the CAP profession may have been the primary cause for this, I believe the situation has changed little since then.

For those of you who wish to become CAPs, your best bet may be to enter the profession through some door other than the front door. You may have to enter through a window or even down the chimney. In short, in order to get a job as a CAP, you may have to begin your career in some other type of job and in an office that is not involved in consumer activities. On the bright side, one of the positive aspects of a consumer science education is that it is usually a broad education that encompasses business, marketing, home economics, and communications. These academic skills are often highly marketable in the work world.

The basic tenet of this paper is to offer a simple model on how someone who was trained in college as a CAP can become a CAP by entering the work force in some other occupation. This model is illustrated in Chart 1.

You are now on the first step, that is, you are getting your consumer science education. The next step, GET ENTRY LEVEL JOB, is probably the most difficult. Ideally, you should attempt to get a job with a company that has an established CAD and then work your way into that department. Since this is not always possible, search for a company that is fairly large and has dealings with the consumer and therefore has the need and potential to support a CAD. In order to be initially hired by this company, you will have to find a position open that has a need for the talents you possess. Table 1 is designed to help you in that task. For example, if your educational background was oriented toward personal finance, you may be able to get a job in credit management or credit analysis in banking, insurance, retail merchandising, or in social science or government.

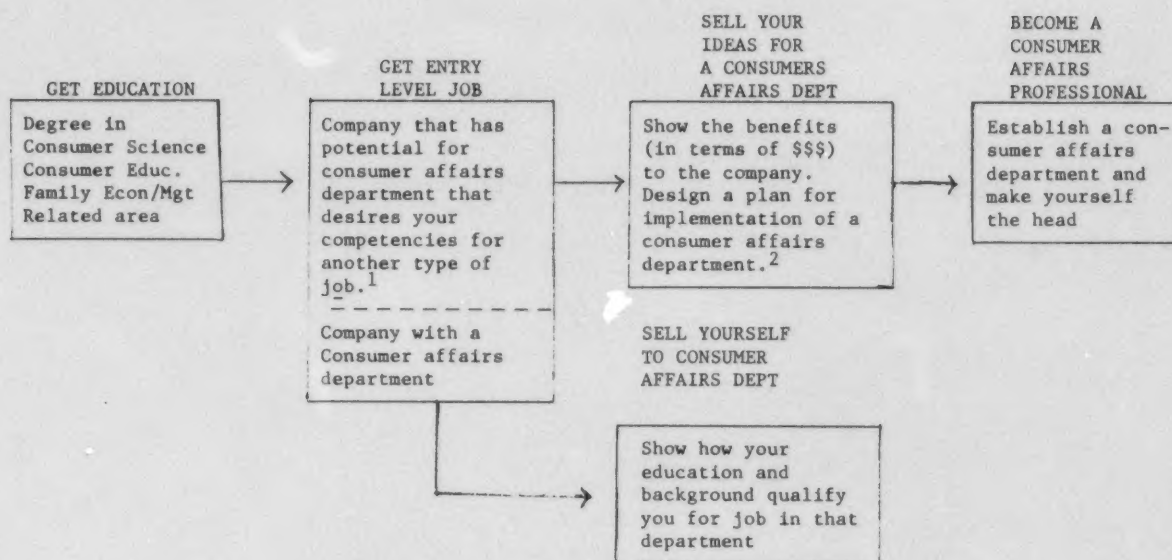
If you are lucky enough to get a job in a company that already has a CAD then you must make yourself known to that department. And even more important, you must show the management of that department that your educational background and interests will qualify you for any openings that may occur in that department. This may be more difficult than you think since some persons in CADs may not see the need for a person with a college education in consumer science or they may even be frightened by your expertise. If they do not have an opening, you may in a diplomatic way, show them how they can expand the functions of their department in a way that may include your expertise.

If you join a company that has no CAD, you have the difficult task of demonstrating to management that they should have a CAD or at least a CAP representative. The only real way to justify this need is by showing management how a CAD can increase the bottom line. This can be shown. I have listed several sources in Chart 1 that will help you do this. The bibliography in Claes Fornell's, "Increasing the Organizational Influence of Corporate Consumer Affairs Departments," *The Journal of Consumer Affairs*, Winter, 1981, offers additional sources. Once you have convinced management of the need for a CAD, you must then organize such a department and then last but not least, you attain your original objective and get yourself appointed to this department and hopefully as the head of the new CAD.

I said in the beginning of this paper that I was optimistic about the CAP career in 1975. I am still optimistic, but in a more realistic way. If you want a job you will have to plan more, be creative, and work hard in the search. If you do these, I sincerely believe that you will attain your goal of being a consumer affairs professional.

Chart 1

ALTERNATIVE CAREER LADDER FOR CONSUMER AFFAIRS PROFESSIONALS



1. See SUGGESTED ENTRY LEVEL POSITIONS FOR CONSUMER AFFAIRS PROFESSIONALS, John R. Burton
2. Source material to assist you in this task.

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Table 1

SUGGESTED ENTRY LEVEL POSITIONS  
FOR CONSUMER AFFAIRS PROFESSIONALS

| <u>JOBS</u>         | <u>INDUSTRIES</u> | ADVERTISING | BANKING AND FINANCE | COMMUNICATIONS | INSURANCE | MERCHANDISING-RETAIL | MARKETING | PUBLISHING | SOCIAL SERVICE AND GOVERNMENT |
|---------------------|-------------------|-------------|---------------------|----------------|-----------|----------------------|-----------|------------|-------------------------------|
| ADVERTISING         |                   | X           | X                   | X              | X         | X                    | X         | X          | X                             |
| CLAIMS ADJUSTING    |                   |             |                     |                | X         |                      |           |            | X                             |
| COMMUNITY RELATIONS |                   |             | X                   | X              | X         | X                    | X         | X          |                               |
| CONSUMER RELATIONS  |                   | X           |                     |                |           |                      |           |            |                               |
| COPYWRITING         |                   |             |                     |                |           |                      |           | X          |                               |
| CREDIT ANALYSIS     |                   |             | X                   |                | X         | X                    |           |            | X                             |
| CREDIT MANAGEMENT   |                   |             |                     |                |           | X                    |           |            | X                             |
| CUSTOMER RELATIONS  |                   |             | X                   | X              | X         | X                    | X         | X          | X                             |
| DEMONSTRATING       |                   |             |                     |                |           |                      | X         |            |                               |
| DESIGN REVIEW       |                   |             |                     |                |           |                      |           |            |                               |
| DISTRIBUTION        |                   |             |                     |                |           | X                    | X         | X          |                               |
| EDITING             |                   |             |                     | X              |           |                      |           | X          | X                             |
| INSURANCE           |                   |             | X                   |                |           | X                    |           | X          | X                             |
| INVESTIGATIONS      |                   |             |                     |                | X         |                      |           |            |                               |
| LECTURING           |                   |             |                     | X              |           |                      |           |            | X                             |
| MARKET RESEARCH     |                   | X           | X                   | X              | X         | X                    | X         | X          |                               |
| MARKETING           |                   |             |                     |                |           | X                    |           |            |                               |
| PACKAGING           |                   |             |                     |                |           |                      |           | X          |                               |
| PRODUCT TESTING     |                   |             |                     |                |           |                      | X         |            | X                             |
| PUBLIC RELATIONS    |                   |             | X                   | X              | X         | X                    | X         | X          | X                             |
| PUBLICITY           |                   | X           | X                   | X              | X         |                      | X         | X          | X                             |
| PUBLICATIONS        |                   |             |                     | X              | X         |                      |           |            |                               |
| PURCHASING          |                   |             |                     | X              |           |                      | X         |            | X                             |
| RESEARCH            |                   | X           |                     | X              |           |                      |           | X          | X                             |
| SALES               |                   | X           | X                   | X              | X         | X                    |           | X          |                               |
| TECHNICAL WRITING   |                   | X           |                     | X              |           |                      |           | X          |                               |

Partial source of data for this chart:

Everett Teal, Occupational Thesaurus, Lehigh University, 1971

ON BEING CONSUMER EDUCATORS  
IN THE 1980's

Gwen J. Byrers<sup>1</sup>

Abstract

Consumer educators have real work to do in the 1980's. To help people make the best decisions they can in a sluggish market and to communicate to the larger society that consumer education is a positive and constructive force in the system. Fortunately, we do not have to do it all alone.

Introduction

Thank you for inviting me to give the Colston E. Warne lecture at this, the 28th annual meeting of the American Council on Consumer Interest. I believe I am the eleventh person to be so honored. It is indeed a humbling experience.

Colston Warne is a key figure who spans the history of formal consumer education. Colston, you were espousing the cause, contributing to the literature, and giving form to an ill-defined set of frustrations during the 1930's. You kept at it even during the 1940's when consumers were not getting very much t.l.c. You were around to withstand the abuse of McCarthyism and the anti-consumer attitudes of the 1950's. You were there to provide advice and council to those attempting to launch a renewed effort at consumerism in the 1960's. For the last 20 years you have watched the consumer movement gain confidence and respect; you have watched us fight amongst ourselves; you have seen the rise of new professional fields of consumer law and advocacy; you have witnessed phenomenal growth in consumer education and you have had the patience to watch us continue to try to define ourselves as a field. Colston, we salute you.

Retirement is really a privileged stage in the professional life cycle. You still do not have time to do or read everything you think you should, but you no longer have to feel guilty about it. That is, you don't feel guilty until you face the reality of trying to write a major paper for an audience such as this.

Deciding what I would talk about to this group this morning was not an easy task. Your interests are so varied, your expertise far exceeds mine in so many directions that I wondered what I could bring to you that would make getting here at 9:00 a.m. worthwhile.

I decided to talk to you as educators, as the people responsible for helping build the base of understanding needed to get along in our complex market-ordered economy. Specifically,

it is to you who teach consumer education courses at any level, you who teach the teachers and do the research in the whole broad areas of consumerism that I am talking today.

Please, I don't want the rest of you, the advocates, the lawyers, and other consumer affairs professionals to get up and leave, but I am giving you fair warning that I shall spend my time sharing a few ideas I have about consumer education. Where it has been, where it is going, and what we ought to be striving for in the next decade.

Consumerism 1980 Style

As I prepared for this talk, I found myself reading several premature obituaries of the consumer movement. Journalists with their professional flair have taken considerable note of the adversities currently facing consumer organizations. Anyone truly concerned with the viability of the consumer movement cannot remain indifferent to this news. Belt tightening at Consumers Union, closing of the U.S. Office of Consumer Education, and the decline in enthusiasm at the corporate level for even their version of consumer affairs; all these add up to a message of some disenchantment with consumerism. However, just as the exuberant consumer press of the 1970's probably overstated the real advances on the consumer front, this "gloom and doom" syndrome is equally overdrawn.

If you think as I do that consumerism is really the "rising level of public awareness of problems, policies, and issues that affect consumer well-being,"<sup>2</sup> I think you can agree that it will not suddenly disappear. Solid roots are there and we can continue to move forward, though perhaps in a less dramatic and exhilarating fashion than we were doing 10 years ago.

Bloom and Greyser in the December Harvard Business Review article are speaking to this very point.<sup>3</sup> In their view, consumerism will be around for a long time; it is not fading as an issue or force in society, it has simply matured. Examining the movement in a marketing context

<sup>2</sup>Gwen J. Byrers. "Consumerism" in Encyclopedia of Economics, edited by Douglas Greenwald, McGraw-Hill Book Company, 1981, p. 195.

<sup>3</sup>Paul N. Bloom and Stephen A. Greyser. "The Maturing of Consumerism," Harvard Business Review, November-December 1981, pp. 130-139.

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they find that many of the goals or strategies identified as belonging to or "products of" consumer organizations have been accepted, supported, and even internalized by the larger society. They foresee a quieter but still very active consumer movement during the 1980's, one in which participative consumerism will prevail. In other words, they are telling us that one of the underlying goals of consumerism--a more informed and responsive citizenry--is on the way to being realized!

I am not sure I share the total optimism of Bloom and Greyser, but I do take a long view of what has been going on. It is far too early to start proposing last rites. The history of the consumer movement has been marked by advances and setbacks throughout the twentieth century. The achievements of the past 20 years have been substantial.

At the end of the 1970's consumerism was beginning to be recognized on its merits as a "growing initiative that complements a well-functioning enterprise system."<sup>4</sup> Increased recognition of consumer education, both formal and informal, is one of the real accomplishments. Another is the new Coalition for Consumer Education, a really diverse group that has come together to try to salvage support for their common goal: the development of consumer education. One of the fallouts of the present lean years for the consumer movement may be that consumer educators will emerge with a clearer identity of what it is we should be doing.

#### Consumer Education--What is It?

Separate consumer education courses began to appear in the 1930's. Students of social and political history have spent years unraveling the threads of programs and movements that were knitted together during the great depression. There is even a kind of nostalgia cult developing that looks back on the 1930's through rose-colored glasses. I trust they are not trying to psych us into a repeat performance.

It was during this great depression that Consumers Union got its start. A market for consumer information was born out of the "revolutionary" idea that if consumers had access to independent testing and rating data about products, they would be able to do a better job of spending their money. I have always found it somewhat ironic that an institution whose major contribution has been to extend product information and communication throughout the market; that is, knowledge, the very essence of the competitive system, should have been questioned as to its ultimate purposes. Only the myopia of business leadership, much of which still prevails regarding consumerism, can explain the gener-

alized anti-consumer education and consumer information efforts that continue even today.

Consumer education has been a field where free enterprise has prevailed. Belonging to no single discipline and ignored until very recently by the traditional social sciences, it is not surprising that consumer education has been an all purpose vehicle for conveying whatever learnings and understanding those promoting the effort thought most salient at the time. The term has served as a cloak for courses as diverse as environmental protection, financial management, and motor mechanics. You can all add to the list. You probably have. We have each tried in our own way to fit what we were doing into our own notion of valid consumer education. A few of us laying claim to being a bit more pure have tried to restrict our effects into a framework called consumer economics; but even we have not had very great success in identifying what we are about.

There have been several recent efforts to organize the concepts in the field, due in no small part to the financial support extended through the U.S. Office of Consumer Education. Among the promising efforts is the study released in 1980 by the Michigan group in the Consumer Education Development Program. That report defines consumer education as "the study of the knowledge and skills needed by individuals and groups in managing consumer resources and taking action as citizens to influence the factors which affect consumer decisions."<sup>5</sup>

The responsibilities that stem from this definition are awesome. The CEDP classification of concepts was a monumental task. I am not trying to put it down. The more I have studied and thought about it, the more important I think the report is. Not because it provides a neat blue print for the future, but because in one single document they have drawn together the myriad threads of much that has passed for consumer education in the last 50 years. Having everything all swept together and sorted into three broad categories: decision making, resource management, and citizen participation is most revealing. It certainly brings home the necessity to try to think clearly about what should receive priority in the field in the 1980's.

We are going to be teaching in an environment concerned with scarcity. Consumer educators are no longer the new kids on the street. Probably each of you has already had to fight to hold your place in the curriculum or to keep line items for the consumer education program. We need to keep in mind that consumer education is not the only

<sup>4</sup>Gwen J. Byers, op cit.

<sup>5</sup>Roselle Bannister and Charles Monsma. "Classification of Concepts in Consumer Education," a working document, April 1980, Michigan Consumer Education Center, p. 7.

subject matter area concerned with citizen action. We need to develop linkages to the other courses and teachers who also have something to offer toward understanding social and economic issues.

The primary emphasis in consumer education needs to remain on the individual and the household in its relation to the economy. This is contrary to much that I read that urges us toward group identity and joint action. I know we live in a world of multinational corporations, of large conglomerates and powerful labor unions. But I also know we live in a society in which consumer decisions influence the production process. Perhaps not as much or as directly as we might sometimes wish, but certainly enough to put rational, informed decision making far ahead of uninformed choice.

Consumer education thus perceived has a second or "hidden" agenda: to encourage improvement in the production and delivery system itself. A timely article that links corporate management of consumer affairs with the marketing strategies for business appeared in the Winter 1981 issue of the *Journal of Consumer Affairs*.<sup>6</sup> Professor Fornell argues very cogently that consumer complaints properly attended to are a profit-maximizing tool. Ignored or suppressed, they will diminish sales and can bring about disaster. The present economic climate may help promote the message of mutual business-consumer interests to management. In the final analysis it is in the production and distribution system that we will find the source of real gains in either the private market or the public sector.

Although our primary focus should remain on the individual and household, our course content must clearly articulate with the larger economy. It is at this point that the linkages with economic education need to be built and understood. The timing is fortunate, the teaching of economics is on the rise in the nation's schools.<sup>7</sup> Thus, there is something there to latch onto and I believe we are making headway toward cooperation. There seems to be a willingness on the part of economic educators to recognize that consumer educators exist. Consumer educators are beginning to feel less threatened by the idea that a substantial portion of their subject matter has its feet in basic economics. The national consumer economics project of the Joint Council on Economic Education has played no small part in promoting this state of affairs.

<sup>6</sup>Claes Fornell. "Increasing the Organizational Influence of Corporate Consumer Affairs Departments," *Journal of Consumer Affairs*, Vol. 15, No. 2, pp. 191-213, Winter 1981.

<sup>7</sup>*National Survey of Economic Education, 1981*. Study conducted by Yankelovich, Skelly, and White, Incorporated.

If consumer education included no more than economic content, then surely with the ingenuity in this room we would have piggy-backed on the economics courses a long time ago. It is because consumer education needs to incorporate a broader perspective: emotional and psychological considerations, managerial functions of the household, the social and political environment, and to also pay some attention to the intricate family relationships that influence decision making; for all these reasons the separateness of the field emerges. Economics cannot be the whole story in a consumer education program. However, consumer education that does not require solid economic understanding is indeed misnamed and ought to be actionable under either false advertising or labeling statutes.

It is probably obvious by this time that in my model of consumer education, the consumer is neither the beneficiary nor the victim of the system, but rather an active participant who both contributes to and takes from the flow of goods and services produced. The adversarial nature of much that is presented in the context of consumer education reflects a long history of the market transaction. The seller attempting to extract as much as he can from an ill-informed buyer has contributed to the victim image and the emphasis on consumer protection that still prevails throughout the field. Consumer education programs developed from the participant perspective are likely to place emphasis on the quality and convenience of consumer information systems, on careful decision making, on alternatives, on payoffs, and on improvements that can be generated in the distribution process. Consumer responsibility is apt to receive as much attention as consumer protection in such a model; particularly the responsibility to seek redress when the product or service is unsatisfactory. The system needs this input. Quality of products and services offered is the responsibility of the business community. If they fail to respond, other remedies should be in place. It is not a matter of either-or, it is a matter of emphasis and perspective.

#### Consumer Education in the 1980's

It is a different world out there. From the 1940's through the mid-1970's, we lived with relatively full employment, relatively stable prices, and relatively high productivity. People's incomes increased faster than the price level. It was easy for consumer educators to concentrate on the individual and the market. In economic jargon we operated at the micro level. A different set of questions has taken center stage. We are now in an era of unstable prices (including wages and interest rates), declining productivity and unemployment. These are macro issues and not central to consumer education. Yet we cannot proceed unmindful of their impact on consumers and households. We need the linkages I spoke of earlier. We are living in a different

economic climate and we are also facing rapidly changing institutions and markets that will affect our teaching. We are not expected to teach macroeconomics, but we must understand how it affects the consumer environment.

The crunch of learning to live within the limits of a non-growing economy is finally coming through to us. As a society, we haven't wanted to recognize the lack of real growth in the system even though it has been around for several years. We have continued to think positively, and to meet each round of inflation with a demand for wage and price increases designed to protect our own share of what has proven to be a smaller pie. The contest is heating up, the pressures are devious. Deep down, I believe Americans still want to maintain a basic level of support for the less fortunate in the society. I have to admit our commitments in this direction are not very clear at the present time. A new set of preferred clients has appeared at the table, the military, and we have a government in place that puts a great deal of emphasis on carrying a big stick. The trouble is they haven't been speaking very softly.

Kenneth Boulding wrote way back in 1973 that "the adjustment to slow growth may be just as difficult as the adjustment to no growth."<sup>8</sup> I wasn't sure I agreed with him at the time, but history is proving that it is not easy to bring deeply-rooted expectations into line with a leaner system. We can expect to see more controversy over income distribution, more pressure for collective action. It is going to be increasingly difficult to meet the commitments, both individual and social, made during our more affluent past. Middle class America built its aspirations out of the prosperous history of post World War II. Now we find ourselves having to relearn how to "cut our coats to fit the cloth." It is not easy.

The 1980's may be a period of real testing of our institutions and our values. The last time we lived through such a strain, consumer educators were often sorely torn between the obvious weaknesses of the market system and the promises of those espousing public ownership of one kind or another.

Because consumer education and consumer educators are often focusing on the sore spots in the system, non-competitive pricing, faulty products, false advertising, or whatever, it is easy to see why the public generally identifies us with the social critics and often with the radicals. That doesn't worry me very much so long as I can see the goal is improvement of the system. For example, the emphasis on product safety and product recalls has undoubtedly had an impact on

design and quality control in American manufacturing.<sup>9</sup> Japanese imports are helping too. You may argue that these are costly techniques, but so are the alternatives.

In the 1980's we can expect that more critical issues, more sharply drawn will emerge. Calls for price and wage ceilings will become more strident as economic times become more turbulent. We should not be surprised to find "consumerism" once again linked with flamboyant political ventures.

Consumer educators need to remain alert to new issues facing the society. Individuals and organizations with agendas other than the maintenance of a market economy will seek our support and appear to further our common cause. All I can say to you is be sure you know their real goals and ask yourselves seriously what their proposed agendas do to the consumer's right to choice, to be heard and to know. The market system with all its warts is for my money still to be preferred to the alternatives I have seen functioning elsewhere.

Educators also need to keep abreast of the rapidly-changing financial markets with which consumers must deal. There has been a veritable revolution in the shelter market. Not only have prices doubled in the past five years, so have the interest rates. Coupled with this deterrent to purchase we have seen the virtual disappearance of the fixed-rate, long-term mortgage. This was the instrument that provided two generations of homeowners with access to equity on terms not known previously and perhaps never to be known again. Without question, none of the alternatives developed in the present market are as attractive to consumers as was the previous arrangement. The fixed payment mortgage was a creature of a stable price level. Long-term mortgage funds tend to disappear in the face of rapidly rising prices and interest rates. Alternative mortgage instruments, with short time horizons, and adjustable rates are clearly preferable to "no mortgage funds available."

As consumer spokesmen, we should be asking: Are the new instruments clear in what they provide? Are the provisions spelled out? Are they being honestly advertised? What should we be doing to make sure that the public is aware that they are not buying the same set of arrangements their parents had when they bought their house with a good old fixed-rate, long-term contract?

The fundamental consumer question is: what arrangements can be made that will insure that persons willing to put a large share of their future income stream hostage to the hazards of

<sup>8</sup> Kenneth E. Boulding. "The Shadow of the Stationary State," *The No-Growth Society*, Olson and Landsberg, (eds), W.W. Norton: NY, 1973, p. 98.

<sup>9</sup> E. Scott Maynes. "Consumer Policy: The Balance Between Consumer Education, Information, and Protection." Paper presented to American Council on Consumer Interest, Columbia, Missouri, April 1981.



home ownership will have a chance to do so. Will mortgage money be available?

As consumer educators, how do we best assist our students in making informed decisions about shelter? Consumer educators have played a considerable role in perpetuating the idea that home ownership was the way to go. Given the price level history and tax structure of the past, it was. Today, the rental arrangement probably deserves a better deal than we have been giving it.

Another development in the present market forcing consumer educators into revising their lesson plans is the blurring of what has previously been clear cut distinctions between savings, investing and insurance. Most of our teaching and practically all the textbooks are organized around units. The units describe a set of institutions and products neatly separated one from another: insurance, stocks and bonds, and savings accounts.

But something has happened out there. New depository arrangements are springing up everywhere. Stock brokers, insurance companies, and mail order houses are all willing to accept deposits in relatively small amounts and pay close to money market rates. Liquidity in 24 hours or less and check-drawing privileges are common. Insurance companies are going one better; they are introducing a new product that incorporates the elements of a whole life policy with a portable savings account that can be had with or without check-drawing privileges. In line with these developments, deregulation has vastly expanded the services credit unions can offer and the rates they can pay.

Credit is an area where consumer educators really need to keep pace with market reality. It took 10 years after World War II for us to feel comfortable teaching people to borrow when we were living in a growing economy. Using consumer credit in a no-growth system at real interest rates eight to twelve percent above the inflation rate is quite a different question. I trust we have speeded up our response time.

The energy market is also presenting us with a new set of examples. After eight years of skyrocketing gasoline prices, we are seeing some movement in the opposite direction. Will consumers go on a driving spree? What will the price break do to research and exploration efforts? Is Detroit going to be stuck with fuel-economy vehicles? These are questions consumers will answer. The basic long-run problems are still with us. However, I must note the MacAvoy plea<sup>10</sup> for a tariff on imported oil to protect the industry and encourage conservation does not appeal to my consumer-oriented brain.

<sup>10</sup> *New York Times*, Sunday, March 14, 1982, Business Section, p. 3.

Consumer educators need to be aware that people are moving much less frequently than they did a decade ago. There are several contributing factors here and not all related to the economic slump or the cost of housing. Two-earner families are more awkward to move. For some households, friends, geography, and lifestyle have emerged as more important than corporate promotions. Some of these coupled with the fact that they may still have an eight percent mortgage on a \$35,000 house now worth \$70,000, makes the price of a move go up dramatically.

Arrangements for health care, its adequacy, the costs involved, the entire third-party-pay system are all going to be critical consumer issues in the 1980's. As organized labor is forced to accept wage concessions in the present market, its members are going to look much more critically at the cost elements associated with fringe benefits and other expense items of the corporate world. Among the latter we expect to find corporate expense accounts challenged more frequently than they have been in the past. Consumer and labor interests not always parallel tend to converge around issues such as these.

And then there is the Ma Bell fracas. Americans have enjoyed the most reliable and least costly communication system in the world. That era, too, may be coming to an end. I have not had time to study this issue, but it appears to me that the solution currently before us defies "common sense." Consumers may gain from the increased competition on the long lines but our position vis a vis local telephone service has not changed for the better. Researchers, lawyers, and scholars will try to unravel the impact of the 1982 consent decree for a long time to come and I predict that this item will occupy a substantial portion of ACCI agendas in the future.

As for the controversy over local measured service vs. flat rates, it seems to me the issue should turn on whether this is an efficient packaging and pricing technique. Evidently the technology exists to bill on the basis of calls made. After 40 years of paying the same basic rate as my friends with three teenagers, the idea has some appeal. If the product can be delivered and billed in smaller purchase units without adding excessive handling costs, it fits my notion of consumer interest. I can govern at least one more dimension of my telephone bill.

Nonmarket production is another economic reality that will confront many consumer educators in the 1980's, particularly those in extension or adult education. Calls for do-it-yourself plumbing and decorating courses, home gardening, clothing construction, car repairs will become more frequent. These skills become progressively more attractive as wage rates decline in relation to the price level. Nonmarket production is one of the few real tax dodges left for the middle class. I also expect to see a resurgence of interest in the cooperative as a means of owning and managing business enterprises. Unemployment



stimulates interest in several lines of activity. You may note a flourishing "off-the-books-economy" developing in your communities. Some households may cease non-market production as service skills become available at cut rates. The time-price tradeoffs are interesting to watch. Consumer educators need to recognize that any or all of these developments can be viable responses to a sluggish economic climate and I suspect that is what we will be operating in for the next several years.

#### Summary

Consumer educators have a real job to do in the 1980's. To help people recognize alternatives and make the best decisions they can in an economy that is not going to be very easy on mistakes is no small order.

We have another task, that is to get through to the larger society that consumer education is a positive and constructive force in the operation of a market-oriented economy. This may mean shedding some of our adversarial armour, but it doesn't mean we lay down and play dead.

There is an opportunity out there for leaders in the field, both consumerists and business, to get back in touch with each other. The "bottom line" of all the verbiage about deregulation and getting government off the business back is that responsibility for consumer satisfaction is once again viewed as belonging to the business community. Consumer educators can encourage the business community to pick up this charge.

Consumer educators may need to narrow the focus on what we are trying to teach in the classroom. At the same time, we need to widen our view and understanding of the economic environment in which we are teaching. This sounds like contrary advice, but we must remember that others also contribute to the sum total of economic, social, and political understanding of our students. There is no more sure avenue to failure than trying to take on too much.

Consumer education, as much as we might like to differentiate our product, is really the culmination of the totality of the educational process. We do not do it all alone. Many of you have heard me quote Hazel Kyrk before. She was one of the intellectual forbears of our field who held forth for years at the University of Chicago. Among her comments is this:

"Education for wise consumption is evidently not something that can be reduced to a course of 10 or even 40 lessons. To be adequate, it must be a planned attempt to coordinate the diverse fields of thought that have something to contribute to the shaping of the consumer's standards of

choice and to direct what they have to offer to the specific problems involved."<sup>11</sup>

<sup>11</sup> Hazel Kyrk. The Family in the American Economy, The University of Chicago Press, 1953, p. 392.

EXTENT OF MARKETPLACE PROBLEMS AS PERCEIVED BY SOLAR HOMEOWNERS  
AND SOLAR EXPERTS

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Abstract

Marketplace problems experienced by solar consumers can have a negative influence on the overall adoption rate of solar heating systems for homes. It was the purpose of this study to determine the extent of delivery system and solar product-related problems within the marketplace as perceived by those who have purchased solar and those whose work directly involves some aspect of solar. Findings indicate that while both delivery system and product-related problems are perceived, delivery system problems tend to be more serious. Types and extent of marketplace problems do not appear to be related to marketplace location or market segment involved. Solar experts and solar consumers appear to have similar perceptions as to the extent of most marketplace problems.

The use of solar energy as a possible alternative energy source to replace diminishing fossil fuels has captured the imagination of many. Studies have indicated that the general public places solar energy high on the priority list of energy alternatives [6] and is very favorable toward its use in the home [1]. But positive attitudes in and of themselves do not have an impact on energy supply. For this positive attitude to be transformed into actual demand, wherein consumers purchase solar systems for their homes, a number of factors must be met. One of these factors is the occurrence of satisfactory experiences by the consumer within the marketplace where the exchange between those who demand solar technology and those who supply such technology takes place. If numerous consumers purchase solar products or systems that work unsatisfactorily or experience unreliability within the marketing and servicing sectors, disenchantment will result, spread and have repercussions affecting the commercialization process of solar.

Therefore, it is important to determine the extent of possible problems within the marketplace as perceived by those who have purchased solar and those whose work directly involves some aspect of solar. In this way, decision-makers within government, industry, marketing and servicing can focus resources and technology toward minimizing such problems. It is the purpose of this study to add to the understanding of the extent of marketplace problems as perceived by solar homeowners and solar experts and to determine if these perceptions vary by marketplace and market segment.

The first objective of the present study is to better understand the extent of selected problems within the marketplace as perceived by

solar consumers and solar experts. Problems which might be encountered were determined from a review of the literature [2,4,5,7,8,9,10,11,12,13]. This review resulted in the identification of two categories of concerns or problems: 1) product-related problems, and 2) delivery system problems. Possible problems or concerns connected to an assessment of the solar product are: durability of the system; predictability of performance of the system/design; safety in the use of the system/design; production of adequate heat and hot water by the system/design; possibility of early obsolescence of the system/design. Possible problems or concerns related to the delivery system of solar heating systems/designs are: exaggerated claims made by the dealers; dealers who are undependable; inadequate warranties for the provision of protection from the cost of repair of defects in the system/design; and unavailable service for repair of problems encountered with a solar system/design. The findings of past solar studies suggest that delivery system problems are greater than product design problems.

The second objective of the study is to determine if the perceptions of the extent of selected problems is related to the residential location of the consumer or to the consumer's income and educational level. Differential segments of the population may perceive the extent of solar-related problems differently. In other words, are some problems perceived to be greater for consumers living in rural areas than for consumers living in urban areas? Are some solar-related problems perceived to be greater for lower income and less educated consumers than for higher income and more educated consumers? If problems are perceived differently by specific segments of the population, reasons for these differences could be investigated and appropriate policies designed. A finding from a previous study [9] indicates that lower income (below \$30,000) households are more likely than higher-income households to encounter problems with various aspects of the technology delivery system. They experienced more difficulty in obtaining parts, components or personnel to make repairs. They found it more difficult to convince the building trades to adopt new building designs and construction techniques.

The third objective of the study is to determine if there is a difference in perception of the extent of problems between those who have purchased solar systems (solar homeowners) and those whose work entails some aspect of solar (solar experts). Studies in consumer behavior [3] have found that purchasers of a product often tend to minimize problems which may exist as part

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of the process of reducing cognitive dissonance. There seems to be a tendency by consumers to rationalize the situation so that their purchases are justifiable. Findings from solar studies [11] indicate that solar experts perceive more problems, particularly with product performance, than do solar consumers. If perceptions of problems in the marketplace differ between homeowners and experts, one might be inclined to question the validity of homeowners' perceptions. Also, it is possible that solar experts may be aware of a greater range of problems and have more realistic expectations for performance of equipment/designs because of their contact with clientele and exposure to solar experiences gained through their work.

#### Method

In the spring of 1981, a questionnaire was mailed to 167 solar homeowners and 138 solar experts<sup>2</sup> in the state of Nebraska. Names were obtained by contacting the Nebraska Solar Office, county extension agents, solar home experts and consumers themselves. Of the identified 167 solar homeowners, 24 were disqualified (fourteen questionnaires were not deliverable by mail, ten did not live in homes with solar systems). One hundred-five usable questionnaires were returned for a 73% response rate of eligible recipients. Of the 138 identified solar experts, seventeen were disqualified (eleven were not deliverable by mail, two had gone out of business and four did not qualify as solar experts). Ninety-seven usable questionnaires were returned for an 80% response rate of eligible recipients.

Respondents were asked to give their opinions about possible problems that may or may not be connected with solar heating systems. Problems listed in the questionnaire were: 1) safety of solar systems; 2) exaggerated claims by dealers; 3) undependable dealers; 4) inadequate warranty coverage; 5) present solar systems becoming obsolete very soon; 6) unpredictable performance; 7) equipment not durable; 8) not enough heat, hot water; 9) unavailability of service, repairs. For each problem the respondent was to indicate, in relation to solar heating systems, whether he/she thought the problem was 1) not a problem;

2) a small problem; 3) a medium problem or 4) a serious problem.

For purposes of statistical analyses, solar homeowners were divided into the following categories: 1) rural-urban area of residence; 2) two income levels; and 3) two educational levels. Rural residence was defined as a community of less than 10,000 (59% of the respondents fell in this category). Urban residents included communities of 10,000 population or more (41% of the respondents were in this category). The two income levels defined were: 1) income less than \$25,000 (51% of the respondents); and 2) income of \$25,000 or more (49% of the respondents). Respondents who had an educational level of grade school, some high school, a high school graduate, had attended trade school or had some college education were classified in one education group (50% of the respondents). Those respondents who had a college degree, who had taken some graduate work or had obtained a graduate degree were placed in the second category (50% of the respondents).

#### Findings

To what extent do solar homeowners and solar experts perceive the existence of marketplace problems connected to solar heating systems? The findings (See Table 1) indicate that more solar homeowners perceive problems related to the delivery system to be serious than problems related to the solar product. Between 65 and 66% of the solar homeowners surveyed believe that dealer-related problems (undependable dealers, dealers who make exaggerated claims) constitute a medium to serious problem. A smaller proportion, but still sizeable percentage (44%) think that inadequate warranty coverage is a medium to serious problem. Forty percent of the solar homeowners surveyed think that unavailability of service and/or repairs constitute a problem (medium to serious).

Fewer solar homeowners perceived medium to serious problems connected with the product itself. Thirty-seven percent expressed concern that present solar systems may soon become obsolete; 34% believe that unpredictable performance and equipment that is not durable constitute medium to serious problems; 25% believe that the production of enough heat and hot water by solar systems is a medium to serious problem. Few (5%) see the safety of solar systems as presenting a problem.

Close to three-fourths (74%) of the solar experts surveyed are concerned about the problem of undependable dealers (31% see that as a serious problem). Sixty-eight percent perceive exaggerated claims by dealers to be a medium (33%) to serious (35%) problem. Slightly less than half (46%) believe unavailable service and repairs

<sup>2</sup>To qualify as a solar expert, a part or all of the individual's work time had to be connected with some solar related activity. In this sample, 36 respondents indicated that they sold solar systems; 26 provided information on solar homes; 19 built solar homes; 18 designed solar homes; 15 did research on solar systems and 27 reported solar related activities other than the above. Many solar experts performed more than one activity.



TABLE 1. Extent of Marketplace Problems as Perceived by Solar Homeowners and Solar Experts

| Possible Problems Connected<br>to Solar Heating Systems | To what extent is this a problem? |       |        |         | (Medium-<br>Serious<br>Categories<br>Combined) | Median | Standard<br>Deviation |
|---------------------------------------------------------|-----------------------------------|-------|--------|---------|------------------------------------------------|--------|-----------------------|
|                                                         | Not                               | Small | Medium | Serious |                                                |        |                       |
| Percent                                                 |                                   |       |        |         |                                                |        |                       |
| Delivery System Problems                                |                                   |       |        |         |                                                |        |                       |
| Percent                                                 |                                   |       |        |         |                                                |        |                       |
| Undependable Dealers                                    |                                   |       |        |         |                                                |        |                       |
| SOLAR HOMEOWNERS                                        | 3                                 | 30    | 47     | 19      | (66)                                           | 2.83   | .775                  |
| SOLAR EXPERTS                                           | 2                                 | 24    | 43     | 31      | (74)                                           | 3.03   | .800                  |
| Exaggerated claims by dealers                           |                                   |       |        |         |                                                |        |                       |
| SOLAR HOMEOWNERS                                        | 13                                | 22    | 37     | 28      | (65)                                           | 2.80   | .990                  |
| SOLAR EXPERTS                                           | 2                                 | 29    | 33     | 35      | (68)                                           | 3.02   | .858                  |
| Inadequate warranty coverage                            |                                   |       |        |         |                                                |        |                       |
| SOLAR HOMEOWNERS                                        | 17                                | 39    | 28     | 16      | (44)                                           | 2.43   | .952                  |
| SOLAR EXPERTS                                           | 12                                | 45    | 33     | 10      | (43)                                           | 2.44   | .830                  |
| Unavailability of service,<br>repairs                   |                                   |       |        |         |                                                |        |                       |
| SOLAR HOMEOWNERS                                        | 24                                | 36    | 28     | 12      | (40)                                           | 2.27   | .961                  |
| SOLAR EXPERTS                                           | 16                                | 38    | 33     | 13      | (46)                                           | 2.43   | .903                  |
| Product-Related Problems                                |                                   |       |        |         |                                                |        |                       |
| Present solar systems becoming<br>obsolete very soon    |                                   |       |        |         |                                                |        |                       |
| SOLAR HOMEOWNERS                                        | 26                                | 37    | 30     | 7       | (37)                                           | 2.19   | .905                  |
| SOLAR EXPERTS                                           | 24                                | 44    | 27     | 5       | (32)                                           | 2.14   | .841                  |
| Unpredictable performance                               |                                   |       |        |         |                                                |        |                       |
| SOLAR HOMEOWNERS                                        | 21                                | 44    | 30     | 5       | (34)                                           | 2.20   | .825                  |
| SOLAR EXPERTS                                           | 16                                | 38    | 40     | 6       | (46)                                           | 2.37   | .826                  |
| Equipment not durable                                   |                                   |       |        |         |                                                |        |                       |
| SOLAR HOMEOWNERS                                        | 23                                | 43    | 23     | 11      | (34)                                           | 2.23   | .934                  |
| SOLAR EXPERTS                                           | 16                                | 43    | 34     | 7       | (41)                                           | 2.33   | .829                  |
| Not enough heat, hot water                              |                                   |       |        |         |                                                |        |                       |
| SOLAR HOMEOWNERS                                        | 25                                | 49    | 21     | 4       | (25)                                           | 2.04   | .800                  |
| SOLAR EXPERTS                                           | 21                                | 42    | 31     | 6       | (37)                                           | 2.23   | .852                  |
| Safety of solar systems                                 |                                   |       |        |         |                                                |        |                       |
| SOLAR HOMEOWNERS                                        | 73                                | 22    | 4      | 1       | (5)                                            | 1.33   | .604                  |
| SOLAR EXPERTS                                           | 66                                | 30    | 1      | 3       | (4)                                            | 1.41   | .676                  |

are a medium (33%) to serious (13%) problem, 43% identify inadequate warranties as a medium to serious (10%) problem.

The product-related problem perceived by the most solar experts to be medium (40%) to serious (6%) in nature is unpredictable performance. Forty-one percent of solar experts think that a medium (34%) to serious (7%) problem with solar is equipment that is not durable. Thirty-seven percent are concerned (31% medium problem; 6% serious) that not enough heat or hot water is produced. About one-third (32%) think that present solar systems will become obsolete very soon (27% medium problem, 5% serious). Few solar experts (4%) think that the safety of solar systems constitutes a medium to serious problem.

Are perceptions of the extent of marketplace problems related to the residential location of

the solar consumer or to the solar consumer's income or educational level? Responses as to the extent of the nine possible problems were summed for rural and urban place of residence; for lower and higher income levels; and for lower and higher educational levels. The Wilcoxon test of differences was used to determine if rural solar homeowners perceive the extent of marketplace problems to a greater degree than urban solar homeowners; if lower income solar homeowners perceive problem to a greater extent than higher income solar homeowners; or if lower educated solar homeowners perceive problems to a greater extent than higher educated solar homeowners. No significant difference (at the  $P < .05$  level) in perception of the extent of marketplace problems was indicated between rural and urban solar homeowners; between solar homeowners having lower and higher income levels, or between solar homeowners with lower and higher educational levels. To determine if



there was a relationship between perceived extent of a specific problem and place of residence, level of income and level of education, Chi-square analysis was used to test the relationship of each set of categories with perceived extent of each problem. No significant relationship (at the  $P < .05$  level) between perceived extent of any problem and residential location, income level, or educational level was indicated. Types and extent of marketplace problems connected with solar systems/designs do not appear to be related to whether the solar homeowner lives in a rural as opposed to an urban area; has a lower income rather than a higher income; or has a

lower rather than higher educational level.

Are possible problems in the marketplace perceived to a different extent by solar homeowners than by solar experts? Previous research would indicate that solar experts would perceive problems to a greater extent than solar homeowners. Responses as to the extent of the nine possible problems were summed for solar homeowners and solar experts. The Wilcoxon test of difference was used to determine if solar experts do perceive problems to a greater extent than solar homeowners. A difference was indicated at the  $P < .01$  level (See Table 2). Chi-square

TABLE 2. Differences in Perception of Extent of Solar-Related Problems Between Solar Homeowners and Solar Experts

| Group            | Number | Sum of Scores | Expected Under H <sub>0</sub> | STD DEV Under H <sub>0</sub> | Mean Score |
|------------------|--------|---------------|-------------------------------|------------------------------|------------|
| Solar Homeowners | 101    | 8965.50       | 9999.00                       | 399.98                       | 88.77      |
| Solar Experts    | 96     | 10537.50      | 9504.00                       | 399.98                       | 109.77     |

Prob > |Z| = .01 T-test approx. significance = .01

analysis was then used to determine if there was a relationship between the perceived extent of specific problems and solar involvement as a homeowner or expert. The only problem signifi-

cantly related ( $P < .05$ ) to solar involvement was the problem of exaggerated claims by dealers (See Table 3). A significantly larger proportion of solar experts than homeowners perceived this

TABLE 3. Association Between Involvement with Solar as a Consumer or Expert and Perceived Extent of Possible Problem

| Problem                                           | N   | Degree of Freedom | Chi-square Value | Significance Level |
|---------------------------------------------------|-----|-------------------|------------------|--------------------|
| Exaggerated claims by dealers                     | 190 | 3                 | 9.32             | .03                |
| Undependable dealers                              | 189 | 3                 | 3.75             | .29                |
| Inadequate warranty coverage                      | 185 | 3                 | 2.70             | .44                |
| Unavailability of service, repairs                | 191 | 3                 | 2.27             | .52                |
| Present solar systems becoming obsolete very soon | 193 | 3                 | 1.04             | .79                |
| Unpredictable performance                         | 192 | 3                 | 2.61             | .46                |
| Equipment not durable                             | 192 | 3                 | 4.41             | .22                |
| Not enough heat, hot water                        | 191 | 3                 | 3.32             | .34                |
| Safety of solar systems                           | 195 | 3                 | 4.13             | .25                |

to be a problem. This finding has intuitive appeal as it is likely that solar experts, many of whom are dealers, would be particularly sensitive to the problem of exaggerated claims, as such claims would be viewed as unfair competition and perhaps detrimental to the reputation of the profession as a whole. A relationship between the perceived problem of predictable performance and solar involvement as a homeowner or expert was not indicated as had been predicted. Thus, for individual problems, while the median for eight of the problems is higher for solar experts than solar homeowners, statistical analyses do not indicate a relationship between perceived extent of each of these problems and whether or not the respondent is a solar homeowner or expert (See Table 1).

#### Discussion

A primary concern of both solar homeowners and solar experts is marketplace problems related to the solar retail sector. Exaggerated claims being made by dealers who are not always dependable are identified by many as a problem. The existence of this problem is not surprising as the emergence of the solar retail area is relatively recent; thus, many of the dealers do not have the benefits of past experience. To reduce the seriousness of this problem, a number of alternatives could be considered and evaluated. The solar industry itself, through an association, could monitor its members, both in terms of advertising and in terms of offering dependable service. Some form of certification could be awarded to members who adhere to association standards. Another alternative is for government to establish standards for advertising solar heating systems. This could be mandatory or used as voluntary guidelines that could be monitored through such organizations as the Better Business Bureau. The potential solar consumer could be educated by information provided by a number of sources (State Solar Offices, continuing education workshops, consumer education classes, publications by government and industry) to realistically assess cost/benefits of solar heating systems and to evaluate dependability of solar dealers. The most effective and efficient means to counteract the perceived marketplace problem of exaggerated claims and undependable dealers probably lie in some combination of these alternatives. Therefore, it is important that the problem is recognized so that different segments of society can address it in the most effective way.

Many solar homeowners and solar experts also perceive a problem related to inadequate warranties and unavailable service. While this problem is not considered serious by as many solar consumers and experts as undependable dealers making exaggerated claims, it is a

problem that may demand early attention. Well-designed warranties and available service will become increasingly relevant and important as solar consumers who presently own solar heating systems begin to experience more defects, over time, and as more consumers purchase solar heating systems. Designers of these warranties will need to consider provisions to protect the consumer, yet not be so comprehensive that retailers and manufacturers are over-burdened, causing them to withdraw from an area which is new and somewhat uncertain.

Between one-fourth and one-third of the solar homeowners and experts perceived problems connected with the product as early obsolescence, unpredictable performance, nondurable equipment and production of an adequate supply of heat and hot water. Because there are a variety of solar heating systems/designs and products, the problems identified may exist with some, but not others. Further investigation is needed, wherein types of solar systems are specifically stated and then problems associated with each system are identified. With this kind of information, action can be taken to concurrently improve the product or design and educate the consumer as to the relative advantages and disadvantages of the products and designs on the market.

The findings of this study did not indicate a difference in perceptions of extent of marketplace problems by urban-rural location of marketplace, or by income or educational level of the solar consumer. Because perceptions of the extent of the problem do not appear to differ by market location or market segment, it appears that solar-related problems can be addressed at the state and industry level. At this time, it does not appear that special concern needs to be focused on specific problems of certain market locations or market segments (at least in the state of Nebraska).

The research findings indicate an overall tendency for solar experts to perceive a greater extent of solar-related problems in the marketplace than solar consumers. More experts do perceive a problem with exaggerated claims of dealers, a perspective which may provide impetus for the industry to devise methods of monitoring the behavior of their members. When perceptions of consumers and experts are compared in relation to specific problems, both groups appear to have similar views as to the extent of each of the other problems. This finding lends credibility to the identification of the nature and extent of problems presently existing in the marketplace in relation to solar heating systems, designs and existing delivery systems.

In conclusion, solar homeowners and solar experts appear to have similar perceptions about the extent of most marketplace problem connected

with solar heating systems. While both delivery system and product-related problems are perceived, delivery system problems tend to be more serious. Types and extent of marketplace problems do not appear to be related to marketplace location or market segment involved, suggesting that these problems can be addressed at the state and industry level. The next step in the research process is to identify the specific characteristics of these marketplace problems, thereby providing additional information so that the solar industry, government and consumer educators can reduce the seriousness of these problems, utilizing the most effective and efficient means.

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THE RELATIONSHIP OF ECONOMIC WELFARE AND PERCEIVED FINANCIAL ADEQUACY  
AND SATISFACTION OF MIDWESTERN URBAN, RETIRED FAMILIES

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Abstract

The purpose of this study was to determine the relationship of economic welfare and perceived financial adequacy and satisfaction of selected Midwestern urban, retired families/individuals. Secondary objectives were to examine the relationship between economic welfare and perceived adequacy and satisfaction and selected demographic factors and between income and economic welfare as measures of economic situation.

Introduction

A major change in our society is the rising number and proportion of the retired. Due to increased longevity and decreased birth rate, the United States is no longer a nation of young people -- a nation as enamored of the youth culture as it used to be. America is aging rapidly with the number of retired growing sevenfold since 1900. From three million in 1900, this segment of the population has increased to twenty-two and one half million people today, and is predicted to increase to thirty and one-half million by the year 2000. Since 1940, this population has risen three to four million per decade (10).

Research on the economics of retiring aids in the clarification of current needs and the development of programs to meet them. Such information can play a vital role in defining social and economic issues affecting retired persons/families and assist in policy formation.

The literature revealed that subjective evaluation of one's financial situation was a primary factor affecting satisfaction, an important component of total well-being. Researchers have validated that one's perception of financial adequacy is a superior indicator of life satisfaction, particularly for retirees, compared to objective measures such as amount of income. Perception of income adequacy has been shown to have a significant relationship to well-being which has been described as one component of life satisfaction. The majority of the research on the economics of retirement, however, has been that of objective economic status or condition. An adequate base of knowledge concerning economic welfare and perceived financial satisfaction is necessary if effective retirement and preretirement educational programs are to be planned and implemented.

What determines economic satisfaction? A review of the literature revealed a limited amount of studies concerning the application of satisfac-

tion in microeconomic analysis. Streib and Schneider (14) focused on older people, relating income and life satisfaction. This longitudinal study revealed a decline in feelings of income adequacy and then a leveling off after the first year of retirement. Spreitzer and Snyder (13) identified financial satisfaction as a significantly stronger predictor of life satisfaction for older compared to younger persons. Low satisfaction with standard of living was found to be a frequent source of marital conflict by Burgess and Locke (1). Goode (4) and Williamson (19) revealed that high satisfaction with standard of living was association with positive marital adjustment. Cuming and Henry's study (2) revealed that increased financial independence of elderly persons living with children showed a direct relationship to morale. Medley's investigation (8) examined a hypothesized causative chain between financial situation, health satisfaction, satisfaction with standard of living, family life and life as a whole. Satisfaction with standard of living was second most important variable for women. Medley's study demonstrated the value of examining the interrelationships among variables rather than simply identifying significant correlations and suggested that satisfaction with standard of living may be of greater importance to an individual's outlook on life than financial condition.

Strumpel, Curtin and Schwartz's study partially explains satisfaction of retirement income, as affected by preretirement income structure. Blue-collar workers receive peak income early in life and experience income losses as early as their forties and fifties while white-collar workers begin at relatively low salaries and reach peak earnings often just prior to retirement. Satisfaction with standard of living has largely been a response to change rather than to the level of income and standard of living.

Studies observing consistently significant correlation between life satisfaction and socioeconomic status include: Gurin, Veroff and Feld, (5) Hansen and Yoshicka (6), Kutner et al., (7). Research indicated that the higher the family income the greater the satisfaction with standard of living. Edward and Klemmack's study (3) revealed that the indicators of socioeconomic status showed a direct relationship to life satisfaction with family income having the highest correlation with it. A primary determinant of life satisfaction was socioeconomic status and socioeconomic variables as a category were identified as efficient predictors of variation in life satisfaction.

Income alone does not determine a retired person's subjective evaluation of his

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financial situation though there is a positive correlation between the two factors (6, 11, 12, 16, 17, 20). Although differing viewpoints exist concerning the use of satisfaction as an indicator of well-being and the relationship of specific economic factors to satisfaction and adequacy, there is ample evidence to indicate perceived financial adequacy is a stronger predictor of life satisfaction than objective indicators of socioeconomic status and thus was selected as the framework for this study.

Family economists have recognized the inherent problems in using money income as a measure of financial well-being and recently have attempted to develop a measure of "well-being" and analyze the various components of it. Progress in the development of such a measure can be traced primarily to Moon (9) and Weisbrod and Hansen (18). Money income, useful in narrowly defined terms, is not sufficient for analyzing the economic situation of the retired. According to Moon, Weisbrod and Hansen, economic welfare, a measure of potential consumption, is superior to current annual money income as a measure of economic status. As a comprehensive measure, economic welfare is a complex concept which can most adequately be described in terms of the standard utility function. Resources available to a family/individual can be used to extend the budget constraints of the family and increase its potential for consumption, restricted only by preferences expressed in terms of the family's utility function. The measure reflects the level of attainable rather than attained consumption. Weisbrod and Hansen (18) delineated economic welfare as a measure which combined income and net worth by conversion of net worth into an annuity value and the addition of this value to current income. Economic welfare was defined for this study as a measure of potential consumption derived by adding current annual income to an annual lifetime annuity value calculated from current net worth, life expectancy and rate of return.

The purpose of this study was to determine the relationship of economic welfare and perceived financial adequacy and satisfaction of selected Midwestern urban, retired families/individuals. Specific questions addressed in the study were: (1) Is there a difference between current income and economic welfare as measures of a family's financial situation? (2) What are the predictors of economic welfare? (3) Is there a difference between objectively and subjectively measured income adequacy? (4) Is perceived financial adequacy and perceived financial satisfaction related to economic welfare? (5) What are the predictors of perceived financial adequacy and perceived financial satisfaction?

#### Methodology

Cluster sampling was used to select 300 retirees of varied living situations, ethnic backgrounds and economic levels. Participants completed

a questionnaire providing information necessary for the computation of the economic welfare measure and the determination of perceived financial adequacy and satisfaction.

Economic welfare and income were examined by the Pearson product moment correlation coefficient and chi-square to determine whether significant differences existed between them as measures of financial situation. Economic welfare was then used as a dependent variable in a multiple regression procedure with independent variables of marital status, sex, age, education, extent of retirement, health, income, home and automobile ownership, amount of mortgage, stability of residence and level of debt to identify predictors of economic welfare.

Income adequacy was assessed by three objective measures including the Social Security Administration's Index of Poverty, the Bureau of Labor Statistics Model Budget for Retired Couples adapted for individuals, and a preretirement retirement ratio of earnings. Responses of participants identified as having adequate income by the preretirement retirement ratio were compared to responses indicating perceived financial adequacy by use of the chi-square test to determine if a significant relationship existed between actual adequacy, objectively determined, and perceived adequacy.

Fifteen items predetermined as indicative of adequacy or satisfaction were analyzed in relation to economic welfare to determine if there was a significant relationship between economic welfare and perceptions of financial adequacy and satisfaction. Perceived Financial Adequacy (PFA) and Perceived Financial Satisfaction (PFS) were then used as dependent variables in the discriminant analysis process. Independent variables included economic welfare, marital status, sex, extent of retirement (full or partial), health, and home and automobile ownership, stability of residence, and level of debt.

Economic welfare and income were compared as independent variables in the discriminant analysis procedure to determine if differences existed in their predictive power of determining perceived financial adequacy and satisfaction. Discriminant functions were derived revealing the independent variables which were predictors of the dependent variables.

#### Results and Discussions

##### Profile of respondents

Sixty percent of the respondents were women. As to marital status, 45 percent were married, while racially, 84 percent were White. The largest proportion of respondents and their spouses was in the intermediate age group between 66 and 75 years of age. Completion of high school was the mean level of educational attainment. One and two member families were about equally divided

with health being ranked as good or excellent for 62 percent, fair for 27 percent and poor for 8 percent. Eighty-seven percent were fully retired; 83 percent retired voluntarily. Approximately one half of the respondents had been retired less than 10 years while 20 percent had been retired between 10 and 15 years and an additional 20 percent 20 years or longer. Slightly less than one-third had retired early.

Low, moderate and high income levels resulted in respective percentages of 37, 30 and 27 for each with the mean income range for the entire group between \$7000 and \$9999. Approximately 60 percent owned homes with an average value range of \$18,000 to \$19,000. Slightly less than one half had no outstanding mortgage. Two-thirds of the retirees owned automobiles with a mean value of \$1500. Slightly over one-fifth owned investments in the form of farms, businesses, real estate other than house, and recreational vehicles ranging in value from zero to \$1,200,000 with a mean value of \$22,409. Stocks, bonds, and mutual funds and cash in banks or savings accounts were two categories of liquid assets held by the largest proportion of respondents with the mean value of each slightly over \$1000. About three-fourths of the sample indicated some debt of which over half responded to a level of less than \$100. Less than five percent of respondents had debts in excess of \$1000. Food stamps and discounts to senior citizens contributed only slightly to the economic profile of the retirees. Social Security, Railroad Retirement, and other government payments were the major sources of income for 92 percent of the sample with interest, dividends and employee retirement plans secondary in importance.

Comparison of income and economic welfare as measures of financial situation revealed that the mean value of economic welfare was about two times that of income approximately \$22,000 and \$11,000 respectively. With use of the economic welfare measure, compared to current income, the percent of retirees categorized in the low level was reduced by 15 percent and the moderate group by 11 percent while the high category increased by 18 percent. The use of economic welfare resulted in an improved economic classification for about 45 percent of the retirees thus leading to the conclusion that a difference did exist between income and economic welfare as a measure of financial situation.

#### Predictors of Economic Welfare

Economic welfare and selected demographic characteristics were analyzed by a two step multiple regression analysis to identify predictors of economic welfare. The combined variables of sex, age, education, extent of retirement, health, income, home and automobile ownership, stability of residence and level of debt accounted for about one-third of the variation of economic welfare (Table 3).

TABLE 1. Multiple Regression Analysis of Economic Welfare by Demographic Characteristics

| Dependent Variable | Independent Variables  | R <sup>2</sup> | F      |
|--------------------|------------------------|----------------|--------|
| Economic Welfare   | Sex                    | .040           | 12.51* |
|                    | Age                    | .046           |        |
|                    | Education              | .133           |        |
|                    | Retirement             | .136           |        |
|                    | Health                 | .148           |        |
|                    | Income                 | .148           |        |
|                    | Home Net Worth         | .151           |        |
|                    | Automobile Net Worth   | .323           |        |
|                    | Stability of Residence | .333           |        |
|                    | Debt                   | .334           |        |

\*p < .05.

Step-wise multiple regression excluded, sex, age, and income as significant predictors. Automobile ownership and educational level were two major predictive variables accounting for 27 and 4 percent of the variation respectively (Table 2).

TABLE 2. Step-Wise Multiple Regression Analysis of Economic Welfare by Demographic Characteristics

| Dependent Variable | Independent Variables  | R <sup>2</sup> | F      |
|--------------------|------------------------|----------------|--------|
| Economic Welfare   | Automobile             | .267           | 94.36* |
|                    | Education              | .311           | 58.40* |
|                    | Stability of Residence | .324           | 41.09* |
|                    | Health                 | .330           | 25.15* |
|                    | Home                   | .332           | 18.02* |
|                    | Debt                   | .333           | 15.75* |
|                    | Extent of Retirement   | .333           | 13.96* |

\*p < .05.

#### Measures of Income Adequacy

Application of three objective standards of income adequacy revealed that approximately 50 percent of single individuals and 25 percent of the married couples in the lower economic welfare category (LEW) were classified as income adequate by the index of poverty standard. However, the small number of married couples in this category lacked conclusive evidence. The Bureau of Labor Statistics Budget for Retired Couples adapted for individuals revealed that 92 and 94 percent of the moderate and high economic welfare groups respectively were categorized as income adequate with no respondents in the low economic welfare group. Thirty-five percent of the LEW singles were classified as income adequate while all of the moderate and high levels were classified as such. Of the total sample, 94 percent of the married and about 80 percent of singles had adequate income by this measure.

The preretirement, retirement earnings ratio placed just slightly under one half of the total

respondents in the income adequate category with respective percentages of 25, 26 and 49 for the lower, moderate and higher income groups.

#### The Relationship of Adequacy and Perceived Adequacy

The relationship of perceived adequacy and objectively determined adequacy by the poverty index showed that about 65 percent of single individuals and 100 percent of married couples classified as income adequate likewise indicated perceived financial adequacy. Almost 80 percent of the total single respondents, classified as income adequate, indicated perceptions of income inadequacy compared to none of the married couples. Perceptions of financial adequacy by married couples were more positive than those of single individuals.

Comparison of adequacy based on the BLS Model Budget, and perceived adequacy revealed a direct relationship with economic welfare level for both married couples and single individual families. There was an inverse relationship between economic welfare level and perceived adequacy for both individuals and couples classified as having inadequate economic welfare. An improved economic situation was related directly to perceptions of adequacy. Thus it was concluded that there was a significant relationship between objectively and subjectively measured adequacy.

#### The Relationship of Economic Welfare and Perceived Adequacy and Satisfaction

Nine items, predetermined as depicting perceived adequacy, were examined by chi-square in relation to economic welfare and a significant difference was found for all of them. Perceptions of adequacy indicated through ability to buy items needed, money left over at the end of the month, adequate financial resources for doctor and dentist and medical expenses, avoidance of dipping into savings for monthly expenditures and adding to savings significantly differed among the three economic welfare levels. In addition, having discretionary income as opposed to a major proportion allocated to basic needs such as shelter, and utilities, planning adequately in advance for retirement, sensing that needs were covered adequately or better and evaluating financial situation as very good or fair revealed significant differences between the lower, moderate and high economic welfare levels (Table 3).

Seven items representative of perceived satisfaction were analyzed in relation to economic welfare by chi-square. A significant difference existed for six of the seven thus providing evidence of a relationship between economic welfare and perceived financial satisfaction. (Table 4). Perceived financial satisfaction (PFS) as indicated through being able to live the way desired, lack of a desire for additional money with which to live, for having saved adequate financial resources prior to retirement, ability to buy items wanted, and a level of

satisfaction depicted as pretty well or more or less satisfied revealed significant differences between the low, moderate and higher economic welfare levels.

TABLE 3. Chi-Square Relationship of Perceived Adequacy and Economic Welfare Level

| Item                                                                   | I of Respondents by Economic Welfare Level |          |        | Total | df | Chi-Square |
|------------------------------------------------------------------------|--------------------------------------------|----------|--------|-------|----|------------|
|                                                                        | Lower                                      | Moderate | Higher |       |    |            |
| Would you say that your financial situation is: very good, fair, poor. | 77                                         | 93       | 98     | 92    | 4  | 75.01*     |
| During the past year I added to savings or investments.                | 13                                         | 44       | 70     | 51    | 2  | 55.50*     |
| Are your financial needs covered?                                      | 71                                         | 89       | 87     | 89    | 4  | 52.62*     |
| Most of my money goes for food and utilities.                          | 22                                         | 36       | 69     | 50    | 2  | 43.05*     |
| I need more money for medical expenses.                                | 64                                         | 63       | 88     | 72    | 2  | 41.93*     |
| I usually have money left at end of the month.                         | 36                                         | 52       | 76     | 61    | 2  | 36.01*     |
| Over the past year I dipped into savings to meet monthly expenses.     | 61                                         | 53       | 87     | 73    | 2  | 29.89*     |
| I'm able to buy the things I/we need.                                  | 73                                         | 87       | 96     | 88    | 2  | 27.32*     |
| I believe I/we planned adequately for retirement.                      | 42                                         | 56       | 76     | 64    | 2  | 20.74*     |

\*p < .001.

TABLE 4. Chi-Square Relationship of Perceived Satisfaction and Economic Welfare Level

| Item                                                                           | I of Respondents by Economic Welfare Level |          |        | Total | df | Chi-Square |
|--------------------------------------------------------------------------------|--------------------------------------------|----------|--------|-------|----|------------|
|                                                                                | Lower                                      | Moderate | Higher |       |    |            |
| I'm able to live the way I want and do the things I want.                      | 15                                         | 18       | 67     | 61    | 2  | 31.38*     |
| I have enough money to travel.                                                 | 8                                          | 17       | 75     | 53    | 2  | 58.55*     |
| I wish I had more money.                                                       | 9                                          | 13       | 79     | 39    | 2  | 41.99*     |
| Are you pretty well satisfied, more or less satisfied or not satisfied at all? | 73                                         | 82       | 93     | 87    | 4  | 40.92*     |
| I'm able to buy the things I want.                                             | 16                                         | 19       | 67     | 50    | 2  | 29.41*     |
| I wish I/we had saved more before retiring.                                    | 8                                          | 12       | 80     | 28    | 2  | 26.56*     |

\*p < .001.

#### Predictors of Perceived Adequacy and Satisfaction

Discriminant analysis was employed to distinguish between retirees whose perceptions indicated financial adequacy compared to those who perceived their financial situation as inadequate. Perceived financial adequacy and satisfaction as dependent variables were analyzed with nine selected demographic variables. Six variables, economic welfare, level of debt, net worth of automobile, extent of retirement, health and sex were found as significant predictors of perceived financial adequacy (Table 5).

Additional analysis identified the significant function as accounting for approximately 96 percent of the variance with economic welfare and level of debt the two significant factors within the function (Table 6).

Comparison of economic welfare and income as predictors of perceived financial adequacy showed that economic welfare was a slightly better predictor based on 96 and 91 percent of variance respectively (Table 7). As individual factors within the significant function, 34 percent of the variance was attributed to economic welfare compared to 25 percent accounted for by current income. Economic welfare and level of debt were the two significant variables within the function based on



economic welfare while income and level of debt were significant for the function based on income. Differences in the percent of variance and the relative importance of variables evidenced by minimum D squared led to the conclusion that a difference existed between income and economic welfare as predictors of income adequacy perceptions.

TABLE 5. Discriminant Analysis Perceived Financial Adequacy by Demographic Characteristics

| Dependent Variable           | Independent Variables         | Equivalent F | Minimum D Squared |
|------------------------------|-------------------------------|--------------|-------------------|
| Perceived Financial Adequacy | Economic Welfare              | 24.40*       | .342              |
|                              | Debt                          | 15.44*       | .474              |
|                              | Automobile                    | 11.13*       | .558              |
|                              | Retirement (Fully or Partial) | 8.65*        | .612              |
|                              | Health                        | 7.54*        | .634              |
|                              | Sex                           | 6.53*        | .635              |

\*p < .05.

TABLE 6. Canonical Discriminant Functions Perceived Financial Adequacy by Demographic Characteristics

| Function | Demographic Characteristic | Standardized Canonical Discriminant Function Coefficients | Percent of Variance | Canonical Correlation |
|----------|----------------------------|-----------------------------------------------------------|---------------------|-----------------------|
| 1        | Economic Welfare           | .326                                                      | 95.73               | .491                  |
|          | Debt                       | -.345                                                     |                     |                       |

Dkt square 73.55 p < .05

TABLE 7. Canonical Discriminant Functions Comparison of Economic Welfare and Income as Predictors of Perceived Financial Adequacy.

| Predictor Category | Demographic Characteristic | Minimum D Squared | Percent of Variance | Canonical Correlation |
|--------------------|----------------------------|-------------------|---------------------|-----------------------|
| Economic Welfare   | Economic Welfare           | .342              | 95.73               | .491                  |
|                    | Debt                       | .474              |                     |                       |
|                    | Automobile Net Worth       | .558              |                     |                       |
|                    | Retirement (Full, Partial) | .612              |                     |                       |
|                    | Health                     | .634              |                     |                       |
|                    | Sex                        | .635              |                     |                       |
| Income             | Income                     | .250              | 90.46               | .484                  |
|                    | Debt                       | .218              |                     |                       |
|                    | Automobile Net Worth       | .280              |                     |                       |
|                    | Health                     | .513              |                     |                       |
|                    | Sex                        | .598              |                     |                       |
|                    | Marital Status             | .693              |                     |                       |

Of the independent variables observed in relation to perceived financial satisfaction, five were identified as significant predictors including economic welfare, debt, sex, health and net worth of automobile. One discriminant function accounted for approximately 98 percent of variance. Within the function 23 percent of the variance was attributed to the variables of economic welfare and debt. A comparison of economic welfare and income as predictors of perceived financial satisfaction revealed that economic welfare was the better predictor of the

two as evidenced by the respective percents of variance (Table 8)

TABLE 8. Canonical Discriminant Functions Comparison of Economic Welfare and Income as Predictors of Perceived Financial Satisfaction

| Predictor Category | Demographic Characteristic | Minimum D Squared | Percent of Variance | Canonical Correlation |
|--------------------|----------------------------|-------------------|---------------------|-----------------------|
| Economic Welfare   | Economic Welfare           | .310              | 97.55               | .481                  |
|                    | Debt                       | .346              |                     |                       |
|                    | Sex                        | .567              |                     |                       |
|                    | Health                     | .578              |                     |                       |
|                    | Automobile Net Worth       | .579              |                     |                       |
| Income             | Income                     | .250              | 90.46               | .484                  |
|                    | Debt                       | .218              |                     |                       |
|                    | Automobile Net Worth       | .280              |                     |                       |
|                    | Health                     | .513              |                     |                       |
|                    | Sex                        | .598              |                     |                       |
|                    | Marital Status             | .693              |                     |                       |

Twenty-three percent of the variance was accounted for within each function by the significant variables of economic welfare and level of debt for the first analysis and income and level of debt for the second one.

A final analysis in evaluating predictors of adequacy and satisfaction consisted of comparing respondents present and past perceptions of their financial situation and comparing their own situation to that of others. In other words, was the possibility of improved present perceptions greater if a respondent perceived his situation as better than two years ago or above average compared with other retirees? The analysis supported previous research in that a positive perception in comparing to others and to previous time spans related directly to increased levels of perceived adequacy and perceived satisfaction. It is noteworthy, however, that the greatest proportion of respondents viewed their present situation as "about the same" as two years ago when comparing themselves to an earlier time span.

#### Summary and Implications

The information gained from this study was an initial step in examining the relationships of economic welfare and perceived financial adequacy and satisfaction of retired families. Economic welfare proved to be an effective concept in assessing the financial situation of retirees and was found to be directly related to perceived financial adequacy and satisfaction. The relationship of perceived financial adequacy and satisfaction with specific demographic factors needs further study. For example, what impact does age, sex, and length of retirement have on perceptions of adequacy and satisfaction? What contributed to the more positive perceptions of women compared to men?

Because of the predictive nature of the study, a random sample was not obtained. For increased



generalizability, a similar study would need to be conducted with a random sample. Applicability of the measures for specific groups, such as the disabled, needs to be explored. The difficulty in getting accurate, complete information for economic research is a continuing problem and a particular challenge with the retired. Thus, innovative ideas and techniques must be developed to overcome the difficulty.

The degree to which various assets contribute to the economic welfare of the retired needs further investigation. Home ownership constitutes the predominant form of housing for the retired. The current study assumed conversion of the net worth of the home into an annuity to derive the economic welfare measure. The question of preferences of the retiree must be considered in relation to home ownership. Investigation of reverse annuities, likewise, needs further study.

Data of the nature generated by this study needs to be examined and applied in preretirement and retirement programs, policy development and implementation. Because increased financial satisfaction revealed a direct correlation to economic welfare, educational programs must address how increased economic welfare can be achieved. Asset accumulation is a crucial factor and is contingent on long term planning and implementation. Programs must address the how-to of asset accumulation and the development of favorable attitudes concerning investment of assets for the purpose of providing lifetime income. The impact of inflation and the numerous concerns expressed by retirees documents such needs. Maximizing financial resources by effective management must be learned and practiced throughout the life span. Finally, level of debt and health were found to be two factors affecting the perceptions of adequacy and satisfaction. This suggests that effective program planning needs to include debt management as well as health maintenance issues.

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# Abstract

The purpose of this research was to examine consumers' knowledge of the FTC mail order rule, problems encountered in ordering merchandise, and actions taken in response to problems. Results from the telephone survey indicate consumers encountered a variety of mail order problems, including many not covered by the FTC rule. A majority of the problems triggered action; however, problem resolution did not always occur. Although many respondents had little knowledge of the FTC rule, it may still be beneficial.

In response to many complaints regarding late delivery, the Federal Trade Commission (FTC) [3] issued a mail order merchandise rule in October, 1975. The major provisions of the rule follow. If the seller promises delivery by a certain date but cannot deliver as promised, the consumer must be given the option of cancelling or agreeing to a new date. Sellers who do not promise delivery dates must deliver within 30 days or give the consumer the previously described options. Consumers who choose to cancel must receive full refunds on prepaid orders within 7 business days. The rule does not apply to certain things such as: photo finishing, magazines, seeds and plants, and negative option plans.

Receiving mail order merchandise late or not receiving it at all has significant impact on consumers because they have frequently paid for the merchandise in advance. The unique nature of a mail order transaction, as opposed to an in-store sale, means that the buyer cannot know immediately if the merchandise will be available for the activity motivating the purchase. Thus if the seller does not have the product in stock the buyer cannot quickly substitute products or sellers as he could in the in-store situation. Instead, the buyer continues his plan on the faith that the mail order merchandise will arrive within some reasonable time.

Because of the classification system and measurement procedures of the Census, it is impossible to determine aggregate expenditure patterns attributable to mail order sales. Although U.S. Census retail trade statistics for 1978 show that mail order houses selling general merchandise totalled sales of \$7.1 billion, this would only be a portion of total 1978 mail order sales. Gillett's [4] article reviewing the results of research on in-home shoppers suggests that the few research studies on mail order expenditures are too narrow in scope to make inferences concerning the number of households

involved in mail order transactions or their average yearly expenditures. There is a general assumption, however, that mail order transactions are widespread among U.S. households, amounting to a small fraction of total household purchases.

Despite the fact that the FTC mail order rule has been in effect for over 5 years, consumers are still plagued by problems with these transactions. During the period between October 1, 1977 and June 30, 1978 (three years after the rule was adopted), 27% of all complaints logged by the FTC involved a purchase through the mail [5]. One in five complaints recorded by the Council of Better Business Bureaus in 1980 related to mail order companies [1]. Given that consumers continue to experience problems with mail order companies, the following conclusions can be drawn: 1) Sellers are not in compliance with the rule, or 2) Consumers do not understand the rule and have false expectations of sellers, or 3) Consumers do not know the rule and how to use the rule to assert their rights in mail order transactions, or 4) The rule does not cover many problems encountered by consumers.

Specific objectives of this research were to determine: 1) Problems encountered by consumers in mail ordering merchandise, 2) Actions taken by consumers in response to problems and the outcomes, and 3) Consumers' knowledge of the mail order rule. Sellers' compliance with the rule was beyond the scope of this investigation.

# Procedures

Telephone interviews were conducted by trained interviewers with residents of Jackson County, in rural Southern Illinois, between April 20 and May 8, 1981. A random sample of 500 telephone numbers was drawn using the local telephone directory as the sampling frame. Once the residential number was reached, a special selection process was employed to ensure that the sample represented the experiences of both males and females [2]. A total of 349 telephone interviews were successfully completed. Nonresponses or incomplete responses accounted for the remaining 151.

The telephone questionnaire developed for the study requested information from the respondents on general mail order purchasing experiences, along with detailed information about their most recent mail order transaction as well as the last time a problem had been encountered. Care was taken to ensure that respondents answered questions based on a common understanding of the term "mail order transaction." A mail order transaction was defined as one in which "you

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place your order by mail or telephone and it is delivered by mail to your home." This definition eliminated transactions placed through catalog departments of retail stores which were received by the consumer at the store. The survey instrument also included questions concerning consumers' knowledge of the FTC mail order rule.

## Results

### Demographic Characteristics of Respondents

The respondents tended to be single (58%), female (54%), and 18 to 30 years old (54%). Over half reported incomes above \$10,000 and a fourth reported undertaking some post-graduate work. Approximately 36% of the respondents were college students; 45% of the remaining respondents were professionals, housewives, or unskilled laborers. Although Jackson County is primarily rural, the demographic characteristics were highly influenced by the presence of Southern Illinois University in the county.

### Mail Order Purchasing Behavior, Problems, and Consumer Responses

Of the 349 respondents, 254 or 73% stated that they do purchase merchandise through the mail. (See Table 3.) Only 26% placed mail orders frequently (at least every two months); the remainder made mail order purchases two or three times a year (37%) or once a year or less (37%). Approximately 35% of the 349 respondents had experienced problems with mail orders at some time; 44% of the current mail order purchasers reported having experienced problems and 11% of those who did not currently order by mail had experienced problems in the past.

Table 1 displays the frequencies of the type of problems respondents encountered, whether or not action was taken on each problem, and the frequencies of problem resolutions if action was or was not taken. The three most common problem occurrences were failure to receive merchandise (18%), merchandise not shipped when promised (14%), and receiving poor quality merchandise (13%). In 74% of the occurrences when the problem was "never received the merchandise," consumer action was taken. However, only 41% of these actions led to resolution of the problem as viewed by the consumer.

The following problems were the ones on which action was taken each time the problem occurred: billing or refund errors, initial failure to return a negative option card, and clothing not fitting. For two of these problems each action resulted in problem resolution; however, only 20% of the actions taken on billing or refund problems resulted in resolution.

The three problems for which consumers most frequently took no action were: merchandise not as expected (54%), merchandise out of stock (50%), and poor quality (47%). In each instance where

the consumer took no action when merchandise was out of stock, the problem was reported as resolved, however. In contrast, when merchandise was not as expected or of poor quality and the consumers involved took no action, 83% and 75% of these occurrences, respectively, were reported as not resolved.

Table 2 presents the types of actions taken by consumers to resolve mail order problems and the success of the actions from the respondent's point of view. In 70% of the mail order problems consumers took some action to resolve those problems. The most common responses were to write or telephone the company (39%), or to return the merchandise (19%). Two-thirds of those consumers who took some action to resolve a problem reported that they were successful in doing so. Nearly half of the consumers who reported taking no action in response to a mail order problem indicated that the problem was eventually resolved. However, in a number of cases, respondents defined resolution of the problem as the consumer's acceptance of the situation or "chalking it up to experience" rather than correction of the problem.

### Consumer's Knowledge of the FTC Mail Order Rule

All respondents were asked four questions designed to evaluate their knowledge of the FTC rule. The first question asked was, "If a seller promised delivery within so many days and cannot deliver the merchandise as promised is there anything he is required to do?" Although almost 75% of the respondents gave the correct response (yes), only 13% knew that the seller is required to notify the buyer of the delay and give the buyer the option of cancelling the order with a refund or agreeing to a new shipping date. Over half of the respondents incorrectly stated that the only requirement was that the seller notify the consumer of the delay.

The third question asked of respondents was, "If a delivery date is not specified, is the seller required to deliver the merchandise within a certain length of time?" Seventy percent of the respondents gave the correct response (yes), but only 30% knew that the seller must deliver the merchandise within 30 days. One-half of the respondents incorrectly specified the length of time as either three weeks or less or as two months or less.

In order to determine if a relationship existed between respondents' knowledge of the FTC rule and relevant variables, a knowledge variable was computed by assigning scores to respondents' answers. A score of one was assigned if the respondent knew sellers are required to do something if they cannot deliver merchandise when promised. Likewise a score of one was assigned for knowing sellers are required to deliver merchandise within a certain length of time if they do not specify a delivery date. Knowing exactly what sellers are required to do in the first situation and the exact length of time in the second situation were each given scores of two.

Table 1. Percent of Problems Resolved by Whether Consumers Took Action to Resolve the Problem and Type of Problem.

| Type of Problem as a Percent of Total Problems | n<br>(131) | Took Action | Took Action |            | No Action |            |
|------------------------------------------------|------------|-------------|-------------|------------|-----------|------------|
|                                                |            |             | Resolved    | Unresolved | Resolved  | Unresolved |
| Never received merchandise (18%)               | 23         | 74%         | 41%         | 59%        | 0%        | 100%       |
| Merchandise not shipped when promised (14%)    | 18         | 61          | 91          | 9          | 100       | 0          |
| Poor quality (13%)                             | 17         | 53          | 89          | 11         | 25        | 75         |
| Merchandise not as expected (8%)               | 11         | 46          | 80          | 20         | 17        | 83         |
| Damaged merchandise (8%)                       | 10         | 60          | 17          | 83         | 25        | 75         |
| Merchandise out-of-stock or on back order (6%) | 8          | 50          | 75          | 25         | 100       | 0          |
| Seller made substitution (5%)                  | 7          | 71          | 80          | 20         | 50        | 50         |
| Billing or refund problem (5%)                 | 6          | 100         | 20          | 80         | 0         | 0          |
| Order filled incorrectly (5%)                  | 6          | 83          | 60          | 40         | 0         | 100        |
| Failure to return negative option card (5%)    | 6          | 100         | 100         | 0          | 0         | 0          |
| Clothing didn't fit (4%)                       | 5          | 100         | 100         | 0          | 0         | 0          |
| Delivery problem (4%)                          | 5          | 80          | 100         | 0          | 100       | 0          |
| Other (7%)                                     | 9          | 78          | 57          | 43         | 100       | 0          |

Table 2. Percent of Problems Reported as Resolved by Type of Action.

| Type of Action              | n<br>(131) | %  | Reported as Resolved |           |
|-----------------------------|------------|----|----------------------|-----------|
|                             |            |    | n<br>(79)            | %<br>(60) |
| Wrote or phoned the company | 51         | 39 | 29                   | 57        |
| Returned the merchandise    | 25         | 19 | 22                   | 88        |
| Cancelled the order         | 6          | 5  | 4                    | 67        |
| Contacted a third party     | 4          | 3  | 2                    | 50        |
| Stopped payment on a check  | 2          | 2  | 1                    | 50        |
| Don't remember              | 2          | 2  | 2                    | 100       |
| Total                       | 90         | 70 | 60                   | 67        |
| No Action                   | 41         | 30 | 19                   | 48        |



The maximum total score possible was six. Respondents who scored one or less were considered not knowledgeable. Respondents with scores of two were considered to have general knowledge of the FTC rule. A score of three or more placed respondents in the knowledgeable category. Approximately 40% of the respondents were categorized as not knowledgeable, 33% were placed in the general knowledge category, and 27% were termed knowledgeable.

Chi square analysis was used to determine whether consumers' knowledge of the FTC rule was related to selected mail order shopping and demographic characteristics. The results of the Chi square analyses are presented in Table 3. Chi square tests of differences in knowledge of the FTC rule by whether the respondent purchased merchandise through the mail, frequency of purchases, and whether the purchaser had experienced problems with mail order transactions were all statistically insignificant. Knowledge of the FTC rule was also unrelated to the respondent's age, sex, marital status, income, education, and occupation.

#### Discussion

The majority of respondents did engage in mail order transactions and many of those transactions included some problems. The unique nature of the mail order transaction which does not allow for immediate communication between buyer and seller can be assumed to be the basis for many of the problems. The fact that the majority of respondents who had experienced problems were current mail order purchasers suggests that consumers accept occasional problems as a part of ordering through the mail.

In one-third of the problems, consumers took no action. When problems occur with mail order purchases, consumers may expect that some problems will resolve themselves over time and other problems will require intervention. For example, if merchandise is not delivered when expected, no action is required if the consumer believes the order will arrive within some reasonable length of time. However, if a seller has made a substitution which is unacceptable to the consumer, action is required if the problem is to be corrected. Yet the research results indicated that many consumers took no action even when there was no reason to believe that the problem could be corrected without action. Viewed from a cost-benefit approach, their inaction may be rational. Rational consumers, knowing a problem could not be corrected without action, would choose to act only if the expected net benefits of acting exceed the expected net benefits of not acting.

There may be two scenarios in which the net benefits of not acting exceed those of acting. In the first of these, the consumer may decide that doing nothing to correct a problem is costless but taking action involves costs. However, the consumer may be uncertain whether benefits

will result from either response to the problem. Unless the consumer expects that taking action is more likely to result in benefits through correction of the problem, he would choose the no-cost response and do nothing.

For example, with problems such as out-of-stock merchandise or merchandise not delivered when promised, the costs of taking no action are zero unless the consumer had planned to use the merchandise on a specific date. Action to correct the problem, such as writing or phoning the company, involves time and money costs. The consumer may believe that the seller will ship the merchandise at the earliest date possible, and that any action he takes will not speed delivery. Therefore, the consumer may expect that the outcome of either response to the problem will be identical benefits; the company will ship the merchandise when it can. The consumer would then choose the no-cost response and do nothing to correct the problem. Action would be taken only if the consumer is certain no benefits could result from inaction -- if the long delay signals to the consumer that he will not receive the merchandise unless he takes action or if the merchandise will be useless if it is not delivered as scheduled.

In the second scenario, the consumer may decide that there are either no or low costs of taking no action, but action involves some time and money costs. In contrast to scenario 1 where the benefits of both action and no action are uncertain, here the benefits of taking no action are known. Only the benefits of taking action are uncertain. Therefore, the consumer may choose not to act because the net benefits of action are unknown.

For example, in problems such as poor quality, damaged merchandise, or merchandise not as expected, the consumer may be able to repair or modify the merchandise or use it as is for its original or an alternative purpose. Therefore, the benefits of no action may be known, i.e., the use value of the merchandise. The costs of no action -- time and money spent to repair or modify the merchandise and the opportunity costs resulting from the consumer receiving merchandise that was not what he desired -- may be low. In contrast, action to correct the problem, such as writing the company or returning the merchandise, involves both time and money costs. The consumer may expect these costs to be high if he considers the merchandise to be an indication of the overall performance of the company, suggesting that repeated requests would be necessary to receive a refund or that a replacement item would be of similar quality, requiring additional actions to correct the problem. Consequently, the consumer may also question whether any action to correct the problem would be effective. In that case, he would choose to do nothing to correct the problem since only the net benefits of no action are known.

Additionally, some consumers may take no action to correct these problems because they believe

Table 1. Knowledge of the FTC Mail Order Rule by Personal and Mail Order Shopping Characteristics.

| Characteristics         | Levels of Knowledge          |                              |                         | $\chi^2$<br>(Significance Level) |       |
|-------------------------|------------------------------|------------------------------|-------------------------|----------------------------------|-------|
|                         | Not Knowledgeable<br>(n=139) | General Knowledge<br>(n=114) | Knowledgeable<br>(n=96) | n                                |       |
| Age in Years            |                              |                              |                         | (349)                            |       |
| 18 to 30                | 40%                          | 33%                          | 27%                     | 190                              |       |
| 31 to 40                | 30                           | 36                           | 34                      | 73                               | 7.51  |
| 41 to 55                | 48                           | 26                           | 26                      | 31                               | (.48) |
| 56 to 65                | 37                           | 36                           | 27                      | 22                               |       |
| Over 65                 | 55                           | 27                           | 18                      | 33                               |       |
| Sex                     |                              |                              |                         | (378)                            |       |
| Male                    | 35                           | 35                           | 30                      | 161                              | 2.28  |
| Female                  | 43                           | 31                           | 26                      | 187                              | (.32) |
| Marital Status          |                              |                              |                         | (349)                            |       |
| Single                  | 43                           | 28                           | 29                      | 201                              | 5.08  |
| Married                 | 35                           | 39                           | 26                      | 148                              | (.08) |
| Income                  |                              |                              |                         | (321)                            |       |
| Less than \$10,000      | 47                           | 32                           | 21                      | 127                              |       |
| \$10,000 to \$20,000    | 42                           | 27                           | 31                      | 108                              | 3.36  |
| Over \$20,000           | 44                           | 32                           | 24                      | 86                               | (.50) |
| Education               |                              |                              |                         | (349)                            |       |
| Did not complete h.s.   | 59                           | 27                           | 16                      | 29                               |       |
| High school diploma     | 25                           | 36                           | 39                      | 31                               | 14.14 |
| Attended college        | 42                           | 35                           | 23                      | 153                              | (.17) |
| Bachelor's degree       | 49                           | 24                           | 27                      | 37                               |       |
| Some graduate work      | 33                           | 35                           | 32                      | 54                               |       |
| Graduate degree         | 31                           | 31                           | 38                      | 45                               |       |
| Occupation              |                              |                              |                         | (349)                            |       |
| College student         | 36                           | 35                           | 29                      | 119                              | 1.03  |
| Non-student             | 42                           | 32                           | 26                      | 230                              | (.60) |
| Use of Mail Order       |                              |                              |                         | (349)                            |       |
| Yes                     | 27                           | 35                           | 28                      | 254                              | 3.54  |
| No                      | 48                           | 26                           | 26                      | 95                               | (.17) |
| Frequency of Purchases  |                              |                              |                         | (254)                            |       |
| At least every 2 months | 39                           | 25                           | 36                      | 66                               | 6.57  |
| 2 or 3 times a year     | 32                           | 41                           | 27                      | 93                               | (.16) |
| Once a year or less     | 40                           | 37                           | 23                      | 95                               |       |
| Experienced Problems    |                              |                              |                         | (349)                            |       |
| Reported a problem      | 33                           | 36                           | 31                      | 121                              | 3.54  |
| Reported no problem     | 43                           | 31                           | 26                      | 228                              | (.17) |

that the problems are the result of their own errors in processing the catalog description, leading to unfounded expectations. For example, one respondent who received merchandise that was not what he expected reported that in rereading the catalog description he found that the merchandise had been accurately described. He chose to do nothing to correct the problem because he decided his expectations had been unrealistic.

Some consumers who encounter poor quality, damaged merchandise, or merchandise not as expected do take action to correct the problem. If the merchandise has no use value to the

consumer, he is certain that inaction will result only in costs. In that case, action might occur even though the net benefits of action are unknown.

In contrast to the above scenarios, where some decisionmakers may decide no action yields the higher net benefits, is the situation where the rational decision is to take action because it yields higher expected net benefits. For example, in all six cases where respondents had failed initially to return a negative option card (a system used by most book and record clubs to notify the seller if the consumer does not want to purchase a selection) the

respondents took action to correct the problem. Assuming the consumer did not want the selection, nothing could be gained by taking no action but costs would result -- either the financial costs of paying for the selection or the time costs involved in returning the merchandise and correcting any consequent billing problems. The costs of action (such as returning the card, writing or phoning the company, or marking the merchandise "Return to Sender") may be low in relation to the benefits -- not paying for an unwanted selection.

Rational consumers who choose to take action to correct a problem would choose the lowest cost action. The fact that the most common redress method chosen by the respondents in this study was to write or phone the company, relatively low-cost actions compared to returning the merchandise or contacting a third party, suggests consumers are cognizant of the costs of redress.

Consumers in the sample encountered a wide variety of mail order problems, only two of which were covered by the FTC rule. Since the rule does not relate to the majority of problems experienced by consumers, it may not be surprising that nearly 40% of the respondents had little or no knowledge of the rule. It was expected that higher-educated, higher-income consumers would be more likely to know the rule than consumers with lower income and less education. It was further expected that consumers who frequently order through the mail would be more knowledgeable than consumers who order less frequently or not at all. Yet Chi square analyses indicated that none of these variables were significantly related to knowledge of the rule.

The failure to find any variables which were significantly related to knowledge of the rule could be the result of several factors. One explanation may be that the FTC rule has been effective in reducing the number of problems consumers experience with delayed shipments. Respondents would have little reason to learn the specific provisions of the rule if they anticipate no future use of the information. In this sample, only 18 of the 131 problems involved merchandise not shipped when promised. However, given the respondents' overall unfamiliarity with the rule, it is possible that this problem was under- or over-reported. One-fourth of the respondents stated that sellers had up to two months to deliver merchandise when a delivery date was not specified. Consequently, they would not have reported experiencing a problem with an order in which, for example, merchandise was delivered six weeks after the company received the order.

The respondents' unfamiliarity with the rule may also be related to the rule's provisions. The rule sets standards for sellers' delivery of merchandise but does not make new, low-cost redress options available to consumers. With merchandise not delivered when promised, the consumer had the same options prior to the rule

as now; he can choose to do nothing or he can contact the FTC, an unfamiliar procedure to most consumers (and generally ineffective in solving individual problems). Although with knowledge of the rule the consumer may believe action to correct the problem is more likely to be successful; nevertheless, action involves costs and inaction may not. Therefore, even consumers who have been exposed to the rule may not have retained the information, believing that while the rule may reduce the number of problems they encounter, it has little relevance once a problem occurs.

Additionally, consumers may frequently order merchandise through the mail with very broad time constraints for delivery or order well in advance of the planned time of use under the assumption that delivery will be delayed. If this is true, consumers may feel the rule is not relevant.

In conclusion, the results of this study indicate that few consumers know the specific provisions of the rule. Furthermore, it may be unrealistic to expect them to, suggesting that increased information dissemination may be ineffective. The rule may have had a significant impact on consumer welfare, however, if it induced better seller performance regarding shipping time.

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CONSUMER RISK PERCEPTION AND RISK RESPONSE:  
IMPLICATIONS FOR RESEARCH AND EDUCATION

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Abstract

The purpose of this paper was to examine two major risk response strategies by consumers and the degree to which they are used by the consumer. The results indicate inadequate risk response by consumers. Possible reasons include risk perception failures or the belief by consumers that society will compensate the individual if a hazard occurs. These findings indicate the need for consumer education programs if we are to achieve the optimal level of protection.

Introduction

The role of the consumer in the consumer protection process has received increased attention in recent years. The current conservative climate favors a move from the regulatory approach to the informed buyer approach. The latter approach has been advocated on the basis of greater freedom of choice, provision for differences in consumer willingness to pay for protection and greater efficiency since the responsibility for protection is borne by the consumer. As a result of changing attitudes towards consumer protection the issue facing the researcher and educator today is no longer "who should protect the consumer?" but rather "how much responsibility will the consumer assume for his own protection?" The question is of particular importance in the area of risk and uncertainty. Consumer risk perception and risk response can have a significant impact on the degree to which the informed buyer approach will achieve the optimal degree of consumer protection in the marketplace.

The purpose of this paper is to explore some of the findings in the literature concerning consumer risk response and to relate such findings to the economic theory of utility maximization under risk. Implications for consumer research and consumer education are then discussed.

The two major risk response strategies of a consumer may be classified as follows: 1) provision for compensation in the event that a hazard occurs and 2) reducing the consequences of a hazard once it occurs. Purchase of insurance by consumers is an example of the first strategy while purchase of smoke detectors or use of seat belts is an example of the second strategy. Each of these strategies is discussed below with respect to the degree to which they are used by the consumer.

Compensation for a Hazard:  
Purchase of Insurance

Testimony by George Bernstein, Federal Insurance Administration, before a U.S. Senate subcommittee in 1972 indicated that many people are unwilling to buy insurance. He commented:

most property owners simply do not buy insurance voluntarily, regardless of the amount of equity they have at stake. It was not until banks and other lending institutions united in requiring fire insurance from their mortgagors that most people got around to purchasing it and we just need look at our automobile insurance laws to recognize that unless we force that insurance down the throats of the drivers, many, many thousands of people would be unprotected on the highways. People do not buy insurance voluntarily unless there is pressure on them from one source or another [2; p 23].

People have also been resistant to earthquake or flood damage insurance (1, 7, 8). Kunreuther found that people would not voluntarily insure themselves against such natural disasters even when insurance rates were subsidized. These findings were reinforced by several field and laboratory studies of insurance purchase decisions. Slovic in his review of these studies noted that "one robust finding from this research has been that people are more willing to insure against small losses with relatively high probabilities than against large but unlikely losses" (11, p. 5). In an experiment performed by Slovic and other researchers persons were presented with five natural hazards with probabilities of occurrence ranging from 0.002 to 0.25 (10). The expected loss and the insurance premium were the same for all five hazards (the probability of occurrence varied inversely with the magnitude of the losses). In this manner a differential response to high probability, low loss hazards and low probability, high loss hazards could be investigated. Again the findings indicated that individuals were more willing to insure against the high probability, low loss hazards.

Two major reasons for reluctance to insure by individuals have been proposed. First, people may not worry about low probability hazards so that no response is perceived to be necessary. Second, people may regard insurance as a type of

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investment. The higher the probability of a hazard, the more likely the individual is to receive some return from his investment and the greater the incentive to purchase insurance.

#### Reducing the Consequences of a Hazard: Seat Belt Usage.

Seat belt usage was examined in this section to investigate consumer interest in reducing the consequences of a hazard. Seat belts were selected for two major reasons. First, there has been a considerable number of safety campaigns in the area of automobile safety including the use of seat belts. Thus the consumer is to some extent informed of the hazard. Second, insurance may provide inadequate compensation in the case of a major injury or a fatality so that there is an incentive for the consumer to use seat belts in addition to purchasing insurance. This inadequacy may reflect problems of recovery in the case of high losses or the realization that only the dependents of the accident victim are compensated in the case of death.

There have been several studies concerning seat belt effectiveness using different injury criteria. When occurrences have been divided into no injury, any injury category effectiveness has been measured at about 20%. By combining moderate, serious, and fatal injuries, a 35% reduction in injuries has been reported. When serious injuries and fatal injuries are combined, effectiveness has ranged from 50% to 70% (3, 9).

In spite of these findings seat belt usage in the U. S. remains low. According to studies by the National Highway Traffic Safety Administration (NHTSA) seat belt usage for 1976-1980 models is approximately 14% (9). This ranges from approximately 7% for standard size automobiles to 17% for subcompact automobiles. Officials in NHTSA do not believe that seat belt usage will increase above 30% even under the most intensive educational campaigns. Consumer disinterest in seat belts was responsible for the recommendation to require passive restraints such as airbags and automatic seat-belts in automobiles in the U.S. However, this decision has since been reversed.

Various reasons for consumer disinterest in seat belts have been proposed. First drivers may overestimate their driving skill. Second, drivers may believe that they have control of the situation and can avoid accidents. Finally the reward for wearing seat belts is not readily perceived. Given the low probabilities of major automobile accidents (one in every 3 million trips will result in a fatal accident), most drivers do not experience a fatal or serious accident. Each safe trip reinforces the low perception of risk (11). As in the case of insurance, the low probability hazard is ignored

by the individual.

An economic analysis of decision-making under risk is presented in the next section in order to provide additional insight concerning consumer a risk response.

#### Utility Analysis of Decisions Involving Risk

##### Purchase of Insurance

This analysis is based on work by Friedman and Savage (5). In this analysis the consumer is assumed to maximize utility and elects to live at risk or purchase insurance depending on which strategy yields the higher utility. The case for risk averse individual (i.e. one willing to purchase insurance) is illustrated in Figure 1.

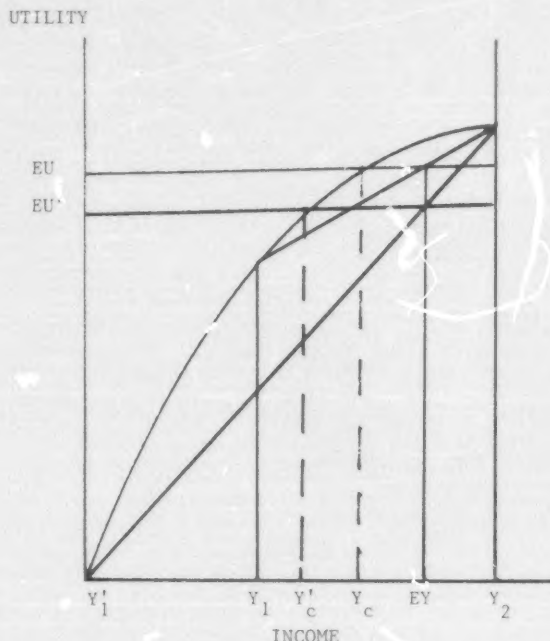


Figure 1. Insurance Premium a Risk-Averter Would be Willing to Pay.

Income and utility are measured on the horizontal and vertical axes respectively. The utility curve is concave downward reflecting risk aversion or diminishing marginal utility of income.

The individual in a risk situation has an income  $Y_2$  which will decrease to  $Y_1$  in the event that a hazard occurs (eg. house fire automobile accident). Given the probability  $p_1$  that the hazard will occur then the expected income of the individual is obtained as follows:

$$EY = p_1 Y_1 + (1-p_1) Y_2 \quad (1)$$

Expected utility may be obtained in a similar manner using the probability of the two outcomes and the utilities associated with  $Y_1$  and  $Y_2$ . Expected utility may also be obtained graphically from the intersection of the line joining the two appropriate points on the utility curve and the vertical line from  $EY$ . The expected utility is given by  $EU$ .

The individual may accept the risk in which instance his expected utility is given by  $EU$ . However, he may also insure against the risk. Payment of an insurance premium will reduce  $Y_2$  and willingness to purchase insurance will depend on the utility from a certain income  $Y_C$  which reflects the cost of insurance. If the utility from  $Y_C$  is greater than the expected utility then the consumer will insure. According to the graph, if the consumer can purchase insurance for less than  $Y_2 - Y_C$  he will insure since his utility from his certain income is greater than his expected utility. In general most insurance premiums which are designed to reflect an actuarial fair return ( $Y_2 - EY$ ) as well as administrative costs will be less than  $Y_2 - Y_C$ . Thus the risk averse individual will be willing to purchase insurance.

Figure 1 may also be used to reflect the varying responses of individuals to hazards with different probabilities of occurrence and different losses. Thus the same expected income ( $EY$ ) may reflect different combinations of probabilities and losses. For example

$$\begin{aligned} EY &= p_1 Y_1 + (1-p_1) Y_2 \\ &= p_1' Y_1' + (1-p_1') Y_2 \end{aligned} \quad (2)$$

where  $p_1$  is greater than  $p_1'$ , and

$Y_1$  is greater than  $Y_1'$ .

While the expected income is unchanged, the expected utilities differ. The expected utility from  $Y_1$ ,  $p_1$  differs from the expected utility from  $Y_1'$ ,  $p_1'$ . The difference in expected utility reflects the diminishing marginal utility of income.

In the case of the new hazard ( $Y_1'$ ,  $p_1'$ ) the maximum amount that the individual would be willing to pay for insurance is given by  $Y_2 - Y_C'$ . At this point the utility from the certain income  $Y_C'$  is equal to expected utility ( $EU'$ ). Assuming that risk premiums are unchanged (since the expected losses are unchanged)

then consumers should be more willing to purchase insurance for low-probability, high loss hazards than for high probability, low loss hazards since  $Y_2 - Y_C$  is greater than  $Y_2 - Y_C'$ . However, Slovic's study on response to natural hazards indicated precisely the opposite response (10).

Failure to insure in the case of low probability hazards may be explained if the individual is assumed to treat such probabilities as zero - (the hazard may be neglected). Under these circumstances the individual will regard  $Y_2$  as the certain income and purchase of insurance which reduces the certain income will only result in a loss of consumer utility. As the probability of a hazard increases, however, the individual can no longer neglect the possibility that  $Y_1$  may occur. In this case the individual responds by comparing his expected utility from inaction to the utility from a certain income due to insurance. If the consumer is a risk averter he will insure. The problem of risk response in the case of a risk averter is thus one of risk perception - what level of probability is required before the individual perceives that he is in a risk situation and must take corrective action.

Utility analysis of decisions under risk may also be used to explain the failure to insure if the individual prefers risk. In this case the cost of insurance premiums dominates the gains from risk reduction. This situation is illustrated in Figure 2. The utility function is

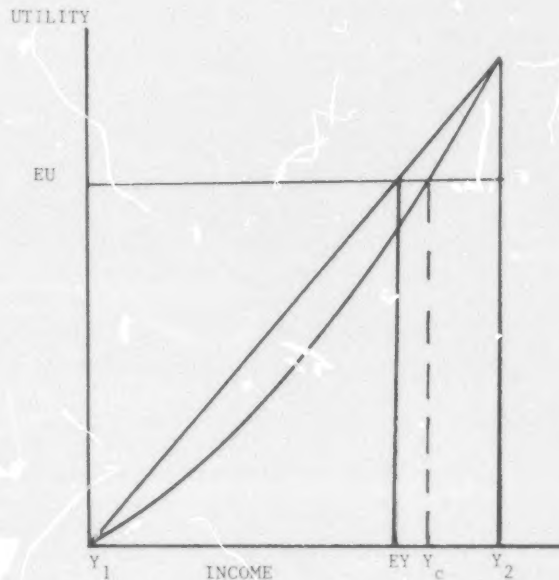


Figure 2. Insurance Premium a Risk-Seeker would be Willing to Pay.

concave upward reflecting risk preference or marginal utility of income. Again the individual faces two outcomes -  $Y_1$  with a probability  $p_1$  and  $Y_2$  with a probability  $(1-p_1)$ . Expected income and expected utility are obtained in the same manner as described for Figure 1. In the case of risk preference the consumer is only willing to pay  $Y_2 - Y_c$  for insurance since additional payments will result in a utility level which is less than expected utility. Since this amount is less than the actuarial fair rate ( $Y_2 - EY$ ) the consumer will not be able to purchase insurance. In this instance unsubsidized mandatory insurance programs will reduce consumer welfare since the utility from income received after payment of insurance will be less than the expected utility.

#### Seat Belt Usage

Failure to use seat belts can also be analyzed in a similar manner. In this case the change in expected utility from accident reduction is compared to the change in expected utility from seat belt user costs.

Data from a study by Davenport (3) were used to estimate the change in expected loss from seat belt usage. Accidents were classified according to 1) property damage only, 2) minor injury and 3) major injury/fatality. Accident rates were obtained for each of the three severity categories and for four automobile size classes: standard, intermediate, compact and subcompact. Accident rates were obtained from a study by the Highway Safety Research Center (HSRC) which used the North Carolina accident file consisting of crashes reported by North Carolina city and county police and state highway patrolmen (4). The rates were based on accidents in which seat belts were not in use. Justification for the use of North Carolina data was based on a study by the GAO which concluded that the North Carolina accident experience was equivalent to that for the entire United States. Accident rates are given in Table 1.

TABLE 1. Probability of an Automobile Accident by Size Class

| Size Class   | Property Damage<br>( $10^{-3}$ ) | Minor Injury<br>( $10^{-3}$ ) | Major Injury<br>( $10^{-3}$ ) |
|--------------|----------------------------------|-------------------------------|-------------------------------|
| Standard     | 39.73                            | 7.83                          | 1.01                          |
| Intermediate | 43.26                            | 8.99                          | 1.16                          |
| Compact      | 54.52                            | 14.06                         | 2.32                          |
| Subcompact   | 62.06                            | 17.98                         | 2.75                          |

Accident costs by severity category were obtained from a study by DOT (12). Accident rates were combined with accident costs to yield the expected loss from driving an automobile. The results are given in Table 2. Expected loss when no seat belts was used ranged from \$102.67 for a standard sized automobile to \$247.51 for a subcompact automobile. The expected loss when seat belts were used was based on seat belt effectiveness. It was assumed that lap and shoulder belts would be 25% effective in the case of minor injury and 60% effective in the case of a major injury/fatality. The same level of effectiveness was used for all four size classes based on a study by Hall (6) which found that the level of effectiveness was fairly similar for all size classes.

TABLE 2. Change in Expected Loss From Using Seat Belts

| Size Class   | Expected Loss<br>No Seat Belts | Expected Loss<br>Seat Belts | Change in<br>Loss |
|--------------|--------------------------------|-----------------------------|-------------------|
|              | \$                             | \$                          | \$                |
| Standard     | 102.67                         | 65.86                       | 36.81             |
| Intermediate | 116.68                         | 74.40                       | 42.28             |
| Compact      | 207.26                         | 123.27                      | 83.99             |
| Subcompact   | 247.51                         | 147.77                      | 99.74             |

The change in expected loss is given in the third column of Table 1. The change from the use of seat belts ranges from approximately \$37 for a standard to \$100 for a subcompact. The higher values for the smaller size classes reflect the greater vulnerability of occupants in these classes in the event of an accident.

The cost of seat belts was based on the time costs of seat belt usage since the price of seat belts have already been included in the price of the automobile. Assuming 30 seconds per seat belt fastening and 500 trips per year (1969 Nationwide Personal Transportation Study) then the use of the seat belts should require approximately 6.6 hours per year. An hourly time cost of \$5.00 per hour was used to obtain the annual time costs of seat belt usage. This hourly time cost was based on annual wages of all workers in the U. S. in 1975, the same time period for which changes in expected costs from using seat belts were estimated. A comparison of the annual time costs from using seat belts and the change in expected loss from using seat belts indicates that the risk averse individual would gain from seat belt usage. In the case of drivers of subcompact and compact automobiles the change in expected loss is nearly three times greater than the time costs of using seat belts. Yet only 17% of subcompact drivers and 9% of compact drivers use seat belts (9).

Again, failure to use seat belts may reflect 1) neglect of low probability hazards by risk averse drivers or 2) risk preference behavior on the part of drivers.

#### Discussion

As we move towards greater consumer accountability it is important to explore consumer response in the areas of risk and uncertainty. Assuming that consumers are risk averse then risk perception becomes a major issue. If low probability, high loss hazards are neglected by the consumer, then a less than optimal level of protection will be achieved for society as a whole. The informed buyer approach to consumer protection means that 1) consumers must be informed of the probabilities of various hazards and 2) consumers must use this information in making risk response decisions. The challenge to consumer researchers and consumer educators is to assist the consumer to make the appropriate response.

If consumers prefer risk then failure to purchase insurance (or take other protective action) will, in general, result in higher levels of utility for consumers. The informed buyer approach will result in an optimal level of protection of society as a whole. However, in an advanced industrial society such as the U.S. the degree to which the individual bears the full consequences of his actions is open to question. Victims of flood damage may receive compensation from the government. Similarly, accident victims may have access to publicly provided medical care and they and their dependents may be aided by a variety of welfare programs. Under such circumstances risk preference behavior on the part of some member of society may be a response to the belief that society will protect the individual from the full consequences of his actions. The problem is similar to the free rider problem in the case of public goods. If the individual insures (or takes other protective action) he may never benefit from his action. Conversely, if he does not insure he may still be compensated in the event that the hazard occurs. Failure to respond to low probability, high loss hazards by risk averse individuals may also reflect the same free rider situation.

Increased reliance on consumer initiative in the consumer protection process has increased the need for consumer education programs. Such programs demand, in turn, an understanding of consumer risk behavior which is likely to become a major research issue in the 1980s.

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CONSUMER SATISFACTION WITH COMPLAINT HANDLING:  
AN OREGON ANALYSIS

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Abstract

A hypothetical model of consumer complaint handling behavior was developed as a basis for constructing research hypotheses. Two behaviors were investigated: the decision to complain or not to complain, and satisfaction with complaint handling. In this study consumer complaint behavior was not dependent upon demographic characteristics, but was related to attitudinal variables.

What happens when consumers are dissatisfied with a product or service? Some do nothing and some complain. Those who do complain have three options available to them: they may complain informally to family, friends, and/or others; they may complain formally to retailers or manufacturers; or they may complain formally to third party complaint agencies (i.e. government agencies, Better Business Bureaus, etc.) (1, 3, 4). It has been noted by other researchers that the majority of dissatisfied consumers either do not complain or complain informally to friends, family and others. Of those who do complain formally, the usual course of action is to complain to business directly. Few individuals choose to complain to third party agencies (7, 8).

When a consumer does complain, it is assumed that the individual expects a reasonable resolution of the problem. Whether or not that expectation is met, directly influences the individual's satisfaction with complaint handling. In an earlier study it was reported that, in general, consumers who had taken action to resolve a serious problem were not satisfied with the solution to the problem (Tarp). However, reasons for the dissatisfaction were not reported.

Procedures

This study was designed to identify relationships between characteristics of consumers and two consumer complaint behaviors: 1) Whether or not formal complaint action is taken and 2) Whether or not satisfaction with complaint resolution was achieved. A model was developed to reflect relationships reported in earlier research and to facilitate hypothesis testing. (Figure 1).

A questionnaire had been developed by the Oregon Consumer Services Division (OCSO) to obtain data

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about consumer attitudes in Oregon. A sample of 1,000 names of consumers in Oregon was drawn from all current Oregon telephone directories using a table of random numbers. Questionnaires were sent to those selected using the following procedure:

- 1) Pre-survey postcard sent to all participants, January 14, 1980
- 2) First questionnaire mailed, January 10, 1980
- 3) Follow-up postcards sent to all participants, January 24, 1980
- 4) Second questionnaire mailed to non-respondents (certified mail) February 26, 1980

Of the 1,000 questionnaires mailed, 658 were completed and returned. Completed questionnaires were coded by the research analyst in the OCSO and coded responses were punched on computer cards. This card deck was duplicated and used as the source of data to be analyzed for this study.

The statistical analysis for this study was completed at the Milne Computer Center, Oregon State University. SPSS (5) programs for Crosstabulation and the Chi-square test for independence were run on the Cyber Computer. Since Chi-square is a relatively weak statistic and can cause even slight relationships to appear significant, one trial regression analysis was run using the Log-Linear Model from the Biomedical Computer Programs, P-series (2). The results of the analysis confirmed the assumption that there were insufficient significant data to warrant the use of a stronger statistical instrument.

Results of the Analysis

Subjects were asked to name the most serious problem they had experienced in the past year. The analyst then coded the problem according to the following categories: Auto, House, Recreation, Health, Clothing/personal care, and Groceries.

Of the 658 respondents, 465 (71%) indicated that they did take some action to solve their most serious consumer problem. Of the 132 respondents who chose not to complain, 45 (34%) did not think that it was worth the time or effort to get the problem corrected, 26 (20%) did not know where to go or what to do to get the problem corrected, and 21 (15%) thought that nobody would be interested in the problem. A variety of reasons for not taking action was reported by the remaining 40 (30%) respondents.

Of the respondents who took action, 186 reported that there was no cost involved in the complaint handling process. Sixty three respondents reported expenditures under \$50.00 while 23 respondents spent between \$50 and \$100 to resolve their

problem. Eight-six respondents reported that complaint handling costs were over \$100.

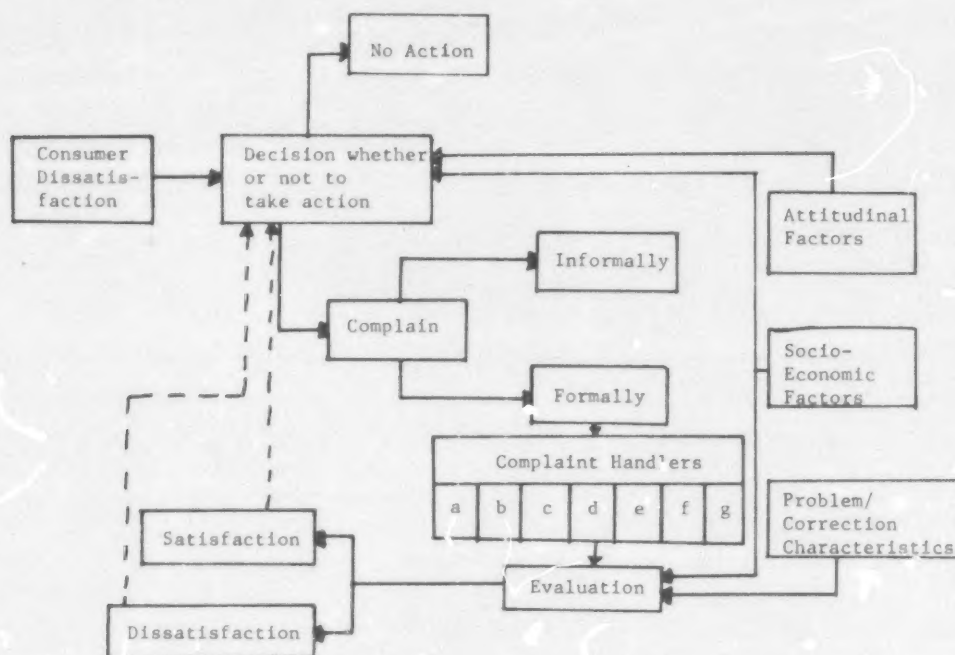


FIGURE 1. Model of Complaint Handling.

Most of the subjects who took some action made one contact (136 respondents), however 87 made two contacts and 91 made three contacts in their attempts to resolve their most serious problem. Respondents satisfaction with the resolution of their complaints is reported in Table 2.

TABLE 2. Satisfaction with Problem Resolution

| Level of Satisfaction                             | Number of Respondents Reporting |
|---------------------------------------------------|---------------------------------|
| Not at all satisfied                              | 101                             |
| Not completely satisfied, but did get something   | 55                              |
| Not completely satisfied, but solution acceptable | 83                              |
| Completely satisfied                              | 53                              |
| Received more than asked for                      | 36                              |
| Total                                             | 333                             |

Twenty null hypotheses were used to test relationships between selected variables and 1) the decision to complain or not to complain; 2) satisfaction with the complaint handling process. Only six null hypotheses were rejected. Whereas in previous studies the consumer's age, level of education, sex, marital status, and income were found to be predictors of whether or not an individual would complain about an unsatisfactory

good or service, in this study there were no statistically significant ( $p < .05$ ) relationships between demographic factors and the independent variables.

The researcher was able to conclude that the decision to complain or not to complain was dependent on two factors: the party considered to be responsible for the problem, and the type of prob-

lem experienced. Respondents identified one of five parties as being responsible for the problem they had reported experiencing: the place where the product was purchased, the place where the product was serviced, the manufacturer, self, or government. The respondents were more likely to complain when the place where the product was purchased, the place where the product was serviced, or the manufacturer was considered to be responsible for the problem.

Furthermore, respondents were more likely to complain when the problem was related to their house, and less likely to complain when the problem was with groceries or recreation. (Categories were Auto, House, Recreation, Health, Clothing, and Groceries.)

Satisfaction with complaint handling was dependent upon the respondent having made only one very helpful contact during the complaint resolution process. However, when the one contact made was considered to be not at all helpful, respondents reported being not at all satisfied with complaint handling. Satisfaction was also dependent on the cost of problem correction. The complainants tended to be more satisfied when the cost of problem correction was low. When the government or the respondents themselves were identified as being responsible for the problem, respondents were less likely to be satisfied with the problem resolution. However, when the place where the product was purchased, the place where the product was serviced, or the manufacturer were considered to be responsible for the problem, respondents were likely to be satisfied with the resolution of the problem.

#### Conclusions

Oregon Consumers were most likely to complain when dissatisfaction occurred in connection with a product related to the house, and when business was considered to be responsible for the problem. However, when dissatisfied consumers complained, they were most likely to be satisfied with the resolution of the problem when it took only one helpful contact to resolve the problem and when the cost of resolving the problem was low.

The implications of these findings are important for business, consumers, and for consumer educators. Consumers need to know that the likelihood of dissatisfaction increases as the cost of a product/service increases. Therefore consumers need to be well informed and realistic in their expectations when high priced purchases are planned. Businesses can promote availability and use of accurate, easy to use information, especially when products and services are higher priced. In businesses where consumers are more likely to complain about a perceived problem, the complaint process should be simple, low cost, and designed to be perceived as very helpful. Consumer educators need to emphasize that information search is especially important when selecting and purchasing high priced items having to do with the home. Consumer educators can

also provide assistance in achieving satisfactory complaint resolution by teaching about effective complaint procedures. Consumer dissatisfaction is avoided and satisfaction more likely to be realized when all concerned parties assume a portion of the total responsibility.

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THE OPINIONS OF SELECTED ILLINOIS SECONDARY SCHOOL CONSUMER  
TEACHERS REGARDING INDUSTRY-SPONSORED INSTRUCTIONAL MATERIALS

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Abstract

Secondary school consumer teachers make frequent use of industry-sponsored instructional materials. The appeal of these teaching aids is usually ease of availability or the free or low cost. While some of these resources have educational value, others serve only to promote a particular company or industry. Selected Illinois secondary school teachers are aware of the potential bias of class resources from business. These consumer educators judged certain sources of materials as more objective than others and believed that despite prejudiced content, instructional resources from business can be of value in the classroom.

Introduction

"All companies have a wealth of information about the products, services, and policies related to their own business and should be encouraged to share these resources with consumers by developing informational and educational activities and materials." (1) -- Manager of Consumer Information and Education, Consumer Affairs Office, American Express Company.

"Corporations are inappropriate sponsors of educational materials precisely because they have something to sell." (2) -- Report from the Center for the Study of Responsive Law regarding industry-sponsored educational materials.

Under the banner of public service, hundreds of corporations and trade associations sponsor educational materials for classroom use. A recent article in *Business Week* estimated that "nearly 3,000 corporations" are distributing publications and other educational materials. (4) The inherent danger of these teaching aids involves biased content and unintended advertising messages. A major cause of this situation is that industry "materials are not field-tested on children and most systems of evaluation/feedback are within the industries themselves." (3)

Schools have usually welcomed these supplementary materials. With financial strife and budget restrictions an educational way of life, teachers view free or low-cost industry materials as a blessing. In addition, ease of availability and attractive packaging add to the appeal.

From the standpoint of the individual business or trade association, students provide a captive audience for the presentation of product pictures, trademarks, and brand names. Industry-sponsored materials frequently present a limited view of a particular topic. Examples include a presentation on nuclear energy without a discussion of potential dangers or mention of alternative energy sources, such as solar; the use of the "four basic food groups" as a justification to purchase the products of a company; or a filmstrip regarding consumer buying which features the products of a particular company.

Very few efforts have been undertaken to assess the educational impact of business-sponsored materials. An investigation conducted by the Center for the Study of Responsive Law documented industry efforts in the areas of nutrition, energy, environmental education, and economics. The study concluded that "educators need to receive less graciously what they are given by corporations and demand from the public what students deserve." (2)

Purpose of the Study

The instructional materials used in secondary school consumer education classes may be classified into six categories. These are: (1) teacher-prepared resources; (2) materials from textbook and other publishing companies, (3) media information (newspapers, magazines, and television), (4) government-sponsored publications, (5) consumer organization materials, and (6) business and industry materials. This study attempted to evaluate the educational contribution of business materials based on the opinions of selected Illinois secondary school consumer teachers.

In this study, industry-sponsored instructional materials for consumer education were defined as teaching aids made available to teachers by an individual business enterprise or trade association representing a particular industry or group of companies. These materials include a company or association name and are offered to teachers free or at a low cost.

Methodology

The procedures of this study consisted of: (1) an identification of commonly used consumer education instructional resources sponsored by

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business organizations; (b) definition of the population to be studied; (c) preparation of the survey instrument; and (d) administration of the instrument.

#### Resource Identification

A search of textbook bibliographies, resource lists, and professional journals was conducted to identify industry-sponsored consumer materials. In addition, individual teachers were contacted for similar information based on class experiences. These efforts resulted in a list of 31 companies and trade associations which regularly offer instructional materials for use in consumer education programs.

#### Population Definition

The group selected for this study consisted of Illinois secondary school consumer teachers who have been active with the Illinois Consumer Education Association within the past three years in one of the following capacities: (a) officer or member of the executive board; (b) chairperson or member of a committee; or (c) program participant at the state conference or a regional workshop. A total of 87 individuals were identified. This group was selected for this study as a result of their active involvement in consumer education beyond the classroom.

#### Instrument Preparation

A preliminary questionnaire was developed to measure the uses and opinions regarding industry-sponsored consumer materials. This survey was administered to five consumer teachers. In addition, the instrument was critiqued by two collegiate-level consumer educators and two business communication professors. The suggestions of these individuals were used to improve the clarity, format, and content of the final questionnaire.

#### Instrument Administration

The survey instrument, long with a cover letter, was sent to the 87 individuals identified for this study. A total of 57 completed questionnaires were returned, for a 65.5 percent response rate; of these, 56 were usable.

#### Findings

For the purpose of analysis and drawing conclusions, frequency distributions and mean scores were computed based on the use and opinions regarding industry-sponsored consumer materials.

#### Frequency of Use Regarding Consumer Education Materials

The secondary school consumer teachers in this study used teacher-prepared materials with greatest

frequency, followed by publishing company materials. Instructional resources sponsored by consumer organizations were used least frequently.

TABLE 1. Frequency of Class Use by Selected Illinois Secondary School Consumer Teachers Regarding Sources of Consumer Education Instructional Materials

| Source                                           | Mean <sup>2</sup> |
|--------------------------------------------------|-------------------|
| Teacher-prepared materials                       | 1.23              |
| Textbook, workbook, publishing company materials | 1.34              |
| Media (newspapers, magazines)                    | 1.50              |
| Government-published materials                   | 1.88              |
| Industry-sponsored materials                     | 2.05              |
| Consumer organization materials                  | 2.52              |

Regarding business-sponsored teaching aids, six sources of materials were used by more than 50 percent of the respondents. These were Procter and Gamble Company, Household International (Money Management Institute), J. C. Penney Company, the American Council of Life Insurance, the Better Business Bureau, and the New York Stock Exchange.

TABLE 2. Most Frequently Used Industry-Sponsored Instructional Materials of Selected Illinois Secondary School Consumer Educators

| Source                                               | Number | Percent |
|------------------------------------------------------|--------|---------|
| Procter and Gamble                                   | 39     | 69.6%   |
| Household International (Money Management Institute) | 37     | 66.1%   |
| J. C. Penney                                         | 35     | 62.5%   |
| American Council of Life Insurance                   | 32     | 57.1%   |
| Better Business Bureau                               | 30     | 53.6%   |
| New York Stock Exchange                              | 28     | 50.0%   |
| American Bankers Association                         | 27     | 48.2%   |
| Sears, Roebuck and Company                           | 27     | 48.2%   |
| Insurance Information Institute                      | 26     | 46.4%   |
| Continental Illinois National Bank                   | 23     | 41.1%   |

#### Information Source and Advantages Regarding Industry-Sponsored Materials

Teachers indicated that "an advertisement or information received in the mail" or an "exhibit at conference or workshop" were the most common sources of knowledge regarding the availability of industry-sponsored consumer materials.

TABLE 3. Sources of Information Regarding Industry-Sponsored Consumer Education Instructional Materials for Selected Illinois Secondary School Teachers.

| Source of Information                                   | Percent |
|---------------------------------------------------------|---------|
| Advertisement in magazine or professional journal       | 8.9%    |
| Advertisement or information received in the mail       | 35.7%   |
| Other teachers, resource list, or textbook bibliography | 19.7%   |
| Exhibit at conference or workshop                       | 35.7%   |

<sup>2</sup>Lower mean scores indicate more frequent use.

The overwhelming response, 69.7 percent, regarding the main advantage of teaching aids from business was the "free or low cost."

TABLE 4. Responses Regarding the Main Advantages of Industry-Sponsored Consumer Materials as Viewed by Selected Illinois Secondary School Teachers

| Advantage                                    | Percent |
|----------------------------------------------|---------|
| Ease of availability                         | 12.6%   |
| Free or low cost                             | 69.7%   |
| Includes lesson plans and/or teacher's guide | 8.9%    |
| Other (current content)                      | 8.9%    |
| Total                                        | 100.0%  |

#### Content Objectivity of Industry-Sponsored Materials

Based on the ranking of the various sources of consumer education materials, teachers viewed resources from publishing companies as most objective and industry-sponsored items as least.

TABLE 5. Opinions of Selected Illinois Secondary School Consumer Teachers Regarding the Overall Content Objectivity of Sources of Consumer Education Instructional Materials

| Source                                                                | Mean <sup>3</sup> |
|-----------------------------------------------------------------------|-------------------|
| Publishing company materials                                          | 1.79              |
| Consumer organization materials                                       | 2.66              |
| Government published materials                                        | 2.82              |
| Media (newspaper, magazines, radio, television excluding advertising) | 3.25              |
| Industry-sponsored materials                                          | 4.48              |

Regarding the content objectivity of individual sources of business-sponsored consumer materials, the mean scores ranged from 1.31 to 2.44. The sources of business resources rated as being most objective in their presentation of content were: the New York Stock Exchange, the Better Business Bureau, the National Dairy Council, Dow Jones Company, and J. C. Penney Company.

TABLE 6. Content Objectivity of Sources of Industry-Sponsored Consumer Materials as Viewed by Selected Illinois Secondary School Consumer Teachers.

| Source                                               | Mean <sup>4</sup> | Responses |
|------------------------------------------------------|-------------------|-----------|
| New York Stock Exchange                              | 1.31              | 29        |
| Better Business Bureau                               | 1.33              | 33        |
| National Dairy Council                               | 1.33              | 21        |
| Dow Jones and Company                                | 1.35              | 17        |
| J. C. Penney Company                                 | 1.36              | 36        |
| American Stock Exchange                              | 1.41              | 17        |
| Household International (Money Management Institute) | 1.45              | 39        |
| Insurance Information Institute                      | 1.48              | 26        |
| Continental Illinois National Bank                   | 1.58              | 25        |
| Sears, Roebuck and Company                           | 1.62              | 28        |

<sup>3</sup>Mean scores are based on rank orders of the sources; a lower mean indicates more content objectivity relative to the other sources.

<sup>4</sup>Lower mean scores indicate more objectivity of content.

| Source                                      | Mean <sup>4</sup> | Responses |
|---------------------------------------------|-------------------|-----------|
| Citibank of New York                        | 1.67              | 8         |
| American Bankers Association                | 1.70              | 29        |
| Merrill, Lynch Company                      | 1.75              | 12        |
| National Consumer Finance Association       | 1.75              | 16        |
| Kraft, Inc.                                 | 1.77              | 17        |
| National Retail Merchants Association       | 1.77              | 9         |
| McDonald's Corporation                      | 1.80              | 9         |
| Kemper Insurance                            | 1.80              | 10        |
| General Mills                               | 1.82              | 17        |
| Illinois Bell Telephone Company             | 1.83              | 22        |
| Aetna Life and Casualty Company             | 1.84              | 18        |
| Allstate Insurance Company                  | 1.88              | 16        |
| American Council of Life Insurance          | 1.89              | 34        |
| Advertising Council                         | 1.91              | 20        |
| Amoco Oil Company                           | 2.00              | 15        |
| Procter and Gamble                          | 2.11              | 43        |
| Chamber of Commerce of the United States    | 2.15              | 13        |
| Kellogg Company                             | 2.22              | 8         |
| National Federation of Independent Business | 2.33              | 6         |
| National Association of Manufacturers       | 2.44              | 9         |

#### Most Valuable Consumer Education Resources

In response to the request to list the most helpful and worthwhile instructional aids, excluding business-sponsored materials, teachers indicated that the daily newspaper (including The Wall Street Journal) was most valuable. Consumer-oriented periodicals (Consumer Reports, Changing Times, Money, Current Consumer) and consumer education textbooks also received frequent mention.

TABLE 7. Teaching Resources Viewed as Most Helpful by Selected Illinois Secondary School Consumer Educators (Excluding Industry-Sponsored Materials)

| Item                                                                                                              | Responses |
|-------------------------------------------------------------------------------------------------------------------|-----------|
| Daily newspapers (including <u>The Wall Street Journal</u> )                                                      | 16        |
| Consumer periodicals ( <u>Consumer Reports</u> , <u>Changing Times</u> , <u>Money</u> , <u>Current Consumer</u> ) | 15        |
| Consumer education textbooks                                                                                      | 13        |
| Government publications                                                                                           | 10        |
| Teacher-prepared materials                                                                                        | 8         |
| Publishing company filmstrips                                                                                     | 7         |
| Publishing company teaching units, cases                                                                          | 6         |
| News magazines ( <u>Time</u> , <u>Newsweek</u> , <u>U. S. News and World Report</u> )                             | 5         |
| Guest speakers                                                                                                    | 4         |

#### Conclusions

As a result of the statistical findings, the following conclusions have been developed:

1. All secondary school consumer teachers responding use industry-sponsored materials with varying degrees of frequency. Teachers use free items more often than those with some cost involved.

2. Teachers are informed most frequently regarding industry-sponsored materials through mail advertisements and at convention exhibit areas. The free or low cost of these teaching aids is viewed as the main appeal.
  3. Most teachers appear to be aware of potential bias in business-sponsored consumer materials. In addition, many teachers believe students are sophisticated enough to realize the promotional intent of many materials from business organizations.
  4. A distinct pattern does not exist between the objectivity of individual company materials and those of trade associations. A number of each were rated as both "very objective" and "biased."
  5. Teachers believe that despite biased aspects, most industry-sponsored consumer materials serve some educational value. As a textbook supplement and to present varied opinions were viewed as two common benefits.
  5. Consumer educators should be consulted by business organizations when developing materials intended for class use. In addition, teachers, parents, and consumer advocates must exert pressure to assure the objectivity of industry-sponsored instructional materials.
  6. Organizations concerned with consumer education must assume a role in the evaluation of all instructional materials. Efforts to critique potentially biased resources are a necessary function of consumer education groups.
- A teacher's awareness of biased content in a particular item can only result from scrutiny and use of varied instructional resources. Every consumer educator has a professional responsibility to regularly preview, analyze, and evaluate learning materials. Only after such efforts will slanted content and unintended company endorsements be phased out of classrooms.

#### Recommendations

Based upon the findings of the study, the following recommendations are offered:

1. Consumer educators should use a variety of instructional resources. Teachers must attempt to detect potential bias in all teaching materials including those offered by business organizations. While industry-sponsored teaching aids may have educational value, the merit could be outweighed by slanted content and advertising messages.
2. Consumer educators must take precautions when using industry-sponsored materials. This includes the presentation of opposing views, discussion regarding biased statements, and creation of awareness among students regarding potential advertising messages.
3. Consumer educators should avoid using business-sponsored materials which serve no other purpose than to promote a particular company or industry. This situation can exist when an instructional aid is prepared without input from educators; or, if an item involves a topic not within the scope of the business organization.
4. Consumer educators must utilize the potential educational value of biased instructional resources. Students should be taught to recognize the economic benefits of these materials to a business. In addition, students must develop the ability to recognize and investigate potentially biased statements.

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RESEARCH IN DEVELOPMENT OF CAREER COMPETENCIES:  
HOME ECONOMICS EDUCATION COMPETENCIES AND  
CAREER ALTERNATIVES RESEARCH

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This afternoon we will share with you a national study designed to examine career alternatives for home economics education graduates. We will talk with you first about how the study was initiated, then explain the standardization process of home economics education competencies and last, discuss the methodology for the career alternatives research being conducted at the Ohio State University.

Initiating the Career Alternatives Research

The American Vocational Association (AVA), Home Economics Division, has a standing research committee. The membership of the committee is comprised of selected home economics education researchers representing 15 universities or state education departments. The committee which is chaired by Dr. Elizabeth Simpson, Dean of the School of Home Economics, University of Wisconsin, has the charge to encourage independent and cooperative research on priority issues. During the committee meeting in December of 1981, considerable discussion was held on the current status of home economics education programs. Home economics education programs have been placing particular emphasis on reaching new audiences. As new audiences are identified, new occupations or careers will be provided for graduates. Out of this discussion a priority issue was identified: career alternatives for home economics education graduates.

As a member of the research committee I was named as contact person. In this case a contact person is one who people contact if they have or are currently conducting research on this topic or if they are interested in a cooperative research effort.

Five universities at this point have agreed to focus on the topic along with The Ohio State University (OSU) by conducting both independent and cooperative research. Those universities are:

- a) University of Minnesota - completing a study of employers expectation of home economists in business and industry.
- b) Florida State University - interested in cooperative research efforts.

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- c) Purdue University - currently completing a study identifying competencies needed by home economics media specialists.
- d) Oklahoma State University - will examine the data base from American Home Economics Association (AHEA) membership survey.
- e) Iowa State University - will complete case studies and focus groups.
- f) Ohio State University - synthesize research completed at this time related to the topic. Will conduct a national study.

I would like to point out at this time we are committed to our education programs in home economics. Our studies are well grounded in each of the subject matter areas of home economics, they are generalists not specialists. Their greatest salable strength is their educative process orientation. Our graduates are skilled in planning, organizing, evaluating, communicating and human relationship skills among others. They must demonstrate these skills in an undergraduate program under qualified supervision in order to obtain certification. Students move from peer teaching, microteaching, a variety of field experiences to student teaching as these process skills are emphasized. We believe these skills which are essential in teaching in formal settings are equally valuable to the employer in community agencies, business and industry. In order to expand career options we believed a systematic examination of home economics education graduates who are employed in non-traditional settings was needed. Dr. Ruth Dohner and I are conducting such a study with the support of the Bureau of Adult and Vocational Technical Education in the U.S. Department of Education.

Standardization of Competencies in Home Economics Education

In preparing home economics educators in higher education there are essentially three components of an undergraduate program model ("Competency-based," 1974).

- (1) General Education - courses that comprise learning common to all educated people, i.e. mathematics, language, literature, science.
- (2) Specialized Education - courses in field of knowledge that prepare the home economist, i.e. family and child development, home management and housing, clothing and textiles, food and nutrition.



- (3) Professional Education - courses that provide competence as an educator of home economics using educative process to help people learn.

Examples of program models that have been implemented can be found in the 1981 AHEA Yearbook (Ray, 1981) including the Ohio State University's program (Gritzmacher, 1981).

Within the home economics profession there has been a demand for program accountability and accreditation expectations. This calls for clarification and standardization of professional preparation and competence as a basis for evaluation of home economics education graduates prior to and during employment.

There have been several national efforts to standardize what we do in the specialized and professional education components of home economics education programs. Several of the major efforts at clarification and standardization of preparation will be described here. There are many interim steps that will not be discussed.

The first standardization effort was related to secondary home economics rather than the undergraduate program, but was a significant first step. It answered the question what should be taught in secondary home economics programs?

From 1962-1964, seven workshops were sponsored by the home economics branch of the U.S. Office of Education in cooperation with various universities. The workshop participants examined specific home economics subject areas and then developed an outline of supporting concepts and generalizations. The final workshop included 31 participants who finalized the concepts that generalizations for all subject areas taught in secondary programs. This publication is called Concepts and Generalizations: Their Place in High School Home Economics Curriculum Development (1967), called in the profession the "Bird Book." This then established what home economics educators teach. The next step is to establish what competence is needed to teach these concepts and generalizations.

The second significant step was identified by the AHEA teacher education section and is related to the professional education component of an undergraduate program. This effort was to identify the basis for assessing professional abilities of all home economists as related to their roles in the educative process. Although not always labeled an 'educator' home economists are often involved in the teaching and learning process in professional roles of many kinds ("Competency-based," 1974).

This second step was accomplished through a national invitational workshop held in Ames, Iowa. Seventy-one home economists from all subject matter areas and professional sections of AHEA had sent representatives and others were chosen because of their interest in competency-based education or home economics teacher educa-

tion. From this group a series of pre-professional and professional level competencies were established. Criteria were written for evaluating these competencies. This publication is called Competency-Based Professional Education in Home Economics: Selected Competencies and Criteria (1972) or the "Tree Book". Here are two examples of these statements:

- 1) The participant (home economist) will formulate and communicate internally consistent professional beliefs based on philosophies of home economics and of education in the context of contemporary society. (p. 11).
- 2) The participant (home economist) will organize home economics offerings into a sequential and integrated pattern to meet the needs of given audiences. (p. 15).

After these competencies were established teacher educators felt a need to find ways to evaluate whether their graduates met these competencies. A document was compiled by home economics teacher educators to meet this need. This publication is called Instruments for Assessing Selected Professional Competencies for Home Economics Teachers (1978). This includes a collection of instruments which home economics educators were willing to make available to fellow professionals.

The third major effort is related to the specialized education component of an undergraduate program. This effort established competencies graduates would possess in the subject matter areas. In 1978 the U.S. Office of Education, Bureau of Occupational and Adult Education with the endorsement of AHEA, AVA and Home Economics Education Association (HEEA) held an invitational clinic in Kansas City. Invited participants wrote the subject matter competencies. These competencies were validated by circulating them to 3-4 subject matter specialists from the AHEA subject matter sections. This publication is called Competencies from Home Economics Teachers: Selected Competencies in Clothing/Apparel and Textile Products, Consumer Education, and Management, Housing and Living Environments, Human Development and Family, Nutrition and Food Management (1978).

The home economics profession now has in place a set of competencies and criteria for specialized and professional education in home economics education. These efforts in identifying these competencies and having them in operation by colleges and universities as guidelines for 5-10 years, makes us feel as though this background is a substantial basis for following graduates and the jobs they hold.

#### Approaches to Career Alternatives Research

We will leave the historical component of standardization in this profession and move to approaches we examined in research career alternatives. It seemed when we began the question was who will employ home economics education

graduates? Where can home economics education graduates find jobs?

Originally we thought we would go directly to the employer and find out whether they would hire graduates with these clearly defined competencies. We discussed this approach with people who have done research with business and industry or worked in business and industry. This discouraged us from taking this approach. They described the following problems.

- 1) A researcher can be assured of a low percentage of returns from business and industry and, therefore, the study would be very costly to conduct.
- 2) Personnel divisions in companies can be very diverse and sometimes individual departments do hiring. Therefore, whom do you interview or send a survey in a company?
- 3) When you go to an employer and ask them if they would hire a person with these competencies an employer's response can only be speculative, hypothetical. They may say they would hire a person with those qualities but would they actually hire one?

After these discussions we decided the focus of our research had to be on the graduates, what kinds of competencies they possessed, where they had jobs and what the jobs entail rather than to focus on the companies. Therefore, the purpose of the research currently underway at the Ohio State University is to study graduates with home economics education competencies who pursued alternate careers.

#### Career Alternatives Research Objectives and Methodology

In reviewing the literature we looked specifically for studies examining occupational careers of home economics graduates. There are no national studies that had a wide focus of the job and the person on the job. There are some related studies of graduates from specific universities. Three master's studies looked at the differences between graduates holding home economics related and home economics non-related jobs and another examined career choice.

Mitchell (1978) examined the relationship among occupation, job satisfaction and personal needs of home economics education graduates. The sample consisted of 188 graduates from University of Tennessee. Graduates in related home economics jobs were more satisfied than those in non-related jobs and personal need for a job did not differ for home economics education graduates than the norm of women on the Edwards Personal Preference Schedule. Mitchell also found that 99 percent of the variance in job satisfaction could be accounted for by personal need.

Pursell (1976) surveyed 123 graduates from the University of Nevada-Reno. The Job Competency Evaluation Form developed by Pursell was validated by the developers of the "Tree Books" and reliability was established based on a test/retest method. This study showed that graduates in home economics related jobs had greater need and use of education competencies than those in non-related jobs. Harken (1976) used the same sample as Pursell and found that a major portion of the graduates were employed outside of the home and worked in traditionally related home economics employment.

Hodgkins (1977) studied three factors influencing career choice of 446 graduates of Louisiana State University. These factors were family composition, adequate preparation and personal need. Hodgkins found that numbers and ages of children had an effect on occupational status. Home Economics graduates perceived their college programs as adequately preparing them to pursue their home economics related occupations. She also found that graduates who pursued a home economics related career tended to do so largely for personal satisfaction.

In the first three studies (Mithcell, 1978; Pursell, 1976; Harkens, 1976) the home economics related and non-related home economics occupations were decided by the participant, therefore, it is unclear what jobs fit into these categories from these studies. Home economists may view only traditional jobs as home economics related. Even if that is the case the numbers in these studies of non-related or non-traditional careers is small and did not provide any definitive insights. There needs to be more precise determination of job categories in studying careers.

There seems to be several variables looked at in these studies that held promise and should be considered in the national career alternatives research, i.e., job satisfaction, competencies needed and used on the job and gained at the teacher training program, personal need, and family composition.

Based on these findings and other literature review the objectives of this research are to:

1. Identify and categorize career alternatives via job description and titles in business, industry and community agencies for graduates with degrees in home economics education.
2. Analyze job environment, responsibility, job satisfaction, preparation and competence, and personal need, in relation to careers of home economics education graduates in business, industry and community agencies.

The research is designed in two parts, quantitative and qualitative. The quantitative will include a sample of home economics education graduates from 264 colleges and universities in the United States. These graduates will be iden-

fied by the teacher educators in the institutions from which they graduated. This will be accomplished with a mailed questionnaire to all home economics teacher education institutions. Criteria for naming graduates is that they have at least one degree in home economics education and be employed in a unique career (other than teaching, extension and utility companies) for one to ten years.

After the home economics education graduates have been identified they will be contacted by mail to determine whether they meet the criteria and if they are willing to participate in the study. Those who wish to participate will receive a packet of instruments and a questionnaire.

The instruments and questionnaire will measure (a) job satisfaction-evaluation of one's job and responses to activities, events and conditions on the job, (b) job preparation and competence, measured by the Job Competency Evaluation Form developed by Pursell (1976), (c) personal need, (d) job responsibility and promotional potential, (e) job environment and organizational structure. The data collected will be analyzed to determine categories of unique careers home economics education graduates hold and descriptors of the career and people in these careers.

The qualitative component of the research will use two strategies to provide indepth descriptions of these careers and job opportunity categories available to home economics education graduates. The strategies will help describe interactions and other details of the job that are difficult to qualify. Case study interviews will be conducted. The researcher will follow several people holding these jobs, take notes about their daily responsibilities and encounters with people, and from these notes describe this career. Focus groups (Calder, 1977) will be conducted to do some problem analysis in regard to the unique jobs held by home economics education graduates. These two methods will obtain more specific information to aid in advising potential students and making adjustments in teacher education programs training these graduates.

This research to examine career alternatives for home economics education graduates comes at a time of need in the profession, but, is also placed appropriately in our history. Past efforts in clarifying what home economics educators are prepared to do makes it possible for us to expand our audiences and identify new career opportunities for the future.

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AN ANALYSIS OF COMPETENCIES FOR UNIVERSITY GRADUATES MAJORING IN CONSUMERS' ECONOMICS IN HOME ECONOMICS AS PERCEIVED BY EDUCATORS, FEDERAL LEGISLATORS, CONSUMER PROTECTION AGENCY DIRECTORS, AND ATTORNEYS GENERAL

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Abstract

Purpose was to develop a list of competencies and compare perceptions of competency desirability and attainment as rated by educators, federal legislators, and attorneys general. No significant differences were found in the desirability ratings within or between groups. Significant differences were found between desirability and attainment levels of both groups.

Introduction

The complexity of the contemporary commercial marketplace has fostered a trend toward increasing the countervailing power of the consumer through consumer advocacy and protection. In the past decade, awareness of consumer fraud and its particularly devastating effects on the young, the poor, the disadvantaged, and the elderly has brought about a public focus and political response to this problem.

A widely held opinion among consumer protection authorities is that preventative activity through consumer education rather than remedial legal action is the ultimate solution. In 1973 Karanjian noted:

*Only recently have most Attorneys General realized the great potential of consumer education as a preventative device...Such education is increasingly being viewed as a primary, not ancillary, function of their consumer protection activity. (7, p. 422)*

Emphasis on consumer education and the need for it is apparent. The impetus has taken an interdisciplinary tack. Peter Drucker has observed this trend:

*Now we are increasingly organizing knowledge and the search for it around areas of application rather than around the subject areas of the discipline...this is a shift in the meaning of knowledge from an end of itself to a resource. (5, pp. 351-352)*

The discipline of home economics has long been associated with the goal of improving the quality of life for individuals and families. Ronald Stampfl has defined the present role of home economics in regard to consumers' education:

*The challenge is clear and compelling. It is the home economist, trained in the user perspective who can best help American consumers understand and function in the post-industrial society. And it is the home economist whose input must be sought as government, business, and educational institutions attempt to aid consumers in solving*

*the problems they are sure to encounter as our economic system continues to evolve. (9, p. 27)*

However encouraging to educators the avowed resurgence of interest in consumers' education, authorities warn of accompanying problems. Creighton has cautioned:

*The continuing frustration of consumer educators has not been so much a lack of support as it has been a lack of well defined goals and methods. As a consequence of this divergence between task and tools, consumer education has been handicapped by an absence of sense of purpose and ambivalence of viewpoint. (3, p. 80)*

Concern regarding the relevancy and accountability of consumer education has stirred interest in the application of the principles of competency-based education to the discipline. Competency-based education provides a learning environment in which explicit statements of desired competencies and criteria for evaluation are designed and made known to the participants. Learning achievement of specified competencies is defined from the systematic analysis of end performance that is desired. Morse and Terrass simply explain competency-based education as "a procedure in which persons come to understand that various competencies are expected of them...then demonstrate that they have attained the competencies required". (8, p. 33)

Garman (6) assessed the consumer education literacy of perspective consumers' education teachers as measured by a valid and reliable test. Overall achievement was less than 60 percent indicating a mediocre level of comprehension of cognitive consumer education concepts. He found no other comprehensive study which measured consumer education literacy by means of a cognitive education test.

Purpose of the Study

The primary problem of this study was to determine the degree to which identified competencies in consumers' economics were perceived as desirable and attained by university graduates majoring in consumers' economic in home economics. Competencies were rated by two groups: (1) Educators in consumers' economics at the university level, and (2) federal legislators, consumer protection agency directors, and attorneys general.

The underlying assumptions of this study were: (1) the state government level is the center of consumer protection and advocacy in the United States; (2) the office of the attorney general is the state level office most commonly charged with protection of consumers' interests; (3) Federal legislators present the constituency in matters of consumers' education program funding and research development; (4) The consumers' economics major in home economics has expertise to mediate, counsel with the

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public in regard to consumer problems, and provide relevant education opportunities to consumers.

This study had four main purposes. They were to:

- 1) Develop a list of competencies based on a review of literature and personal experience gained through a 6-week internship in the Consumer Protection Division, the Office of the Attorney General, the State of Texas.
- 2) Determine the competency attainment level of graduates with a major in consumers' economics in home economics as perceived by educators, legislators, consumer protection agency directors, and attorneys general.
- 3) Compare the perceptions of educators, federal legislators, consumer protection agency directors, and attorneys general in regard to relevant program development.
- 4) Analyze research findings with conclusions and recommendations designed to improve consumers' economics curriculum planning and implementation at the university level.

Four null hypotheses were established. The null hypotheses form was used because it was better fitted to statistical techniques involving scores and ratings and there was no previous research as to the perceptions of the groups surveyed on which to base a directional choice. The hypotheses were:

- 1) There is no significant difference between the perceived level of competencies attained by consumers' economics majors in home economics and the desired level of competency as rated by educators in home economics.
- 2) There is no significant difference between the perceived level of competencies attained by consumers' economics majors in home economics and the desired level of competency as rated by federal legislators, consumer protection agency directors, and attorneys general.
- 3) There is no significant difference in the ratings of competencies educators perceive as desirable for consumers' economics majors to achieve and the ratings of competencies legislators, consumer protection agency directors, and attorneys general perceive as desirable.
- 4) There is no significant difference in the ratings of competencies perceived as attained by consumers' economics majors in home economics by educators in home economics and legislators, consumer protection agency directors, and attorneys general.

#### Procedure

The research sample consisted of educators, federal legislators, consumer protection agency directors, and attorneys general. The names and addresses of consumer protection agency directors

were taken from the Directory of Consumer Protection and Environmental Agencies (4). Every federal legislator listed in the directory of the 95th Congress (2) was surveyed. The colleges and universities selected for this study were those obtained in research by Burton (1) in which 20 schools offering programs in consumer economics in home economics were identified. The compilation was based on information obtained from a questionnaire sent to 3,000 persons listed in the January, 1976, issue of the American Council on Consumers' Interests Newsletter requesting response from personnel at institutions with consumer related degree programs.

The instrument was developed by the researcher after an extensive review of literature in the field. Content validity was established by a panel of experts. After validation 100 competencies representing a broad range of consumers' education topics were categorized into six major competency areas, fourteen terminal objectives, and eighty enabling objectives. A five-point Likert type rating scale was used to survey the respondents' perceptions. The instrument was sent to 25 educators, 585 federal legislators, and 48 consumer protection agency directors and attorneys general.

#### Findings

Instrument ratings were tabulated and reported using ranges, means, and frequencies. The null hypotheses were tested using analysis of variance and paired t-tests. The data were summed to yield total scores for the six major competencies: A - Evaluating money management techniques for effectiveness; B - Assess the role of government in protecting the consumer; C - Evaluate roles of advertising in consumer purchasing; D - Evaluate the legal rights, responsibilities, and procedures of redress related to consumer purchasing; E - Develop a set of values and appraise the effect of value systems on consumer behavior; and F - Evaluate wise consumer buying skills. The six major competency areas were tested as to differences in desirability and attainment level ratings within each group and among all groups. One overall measure of desirability on all competencies was tested as to the difference between desirability and attainment level ratings. The .05 level of significance was used.

#### Analysis Within Groups

The first two hypotheses were tested by analysis of ratings within groups. The means of each groups' ratings were computed per item per competency for both the desirability and attainment levels. A total competency desirability sum and competency attainment sum were obtained for each group. The means of Group One, educators, and Group Two, legislators, agency directors, and attorneys general were found to move in the same direction with competency desirability means generally higher than competency attainment means for both groups. Educators indicated attainment levels less than desirable in all competency areas surveyed with the following exceptions:

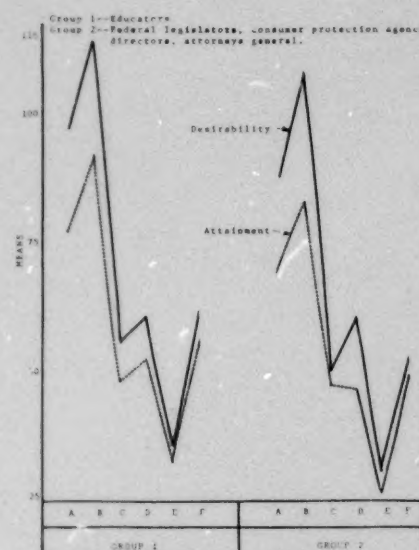
| Competency Number | Competency                                                                                                                                                  |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EO 3.25           | Determine the actual value of endorsements such as those by periodicals like <u>Good Housekeeping</u> and endorsing agencies like Underwriter's Laboratory. |
| EO 5.23           | Distinguish how value choices differ between agrarian and industrial societies.                                                                             |
| EO 5.24           | Determine how value choices might differ between wealthy and poor individuals.                                                                              |
| Competency 6      | Evaluate wise consumer buying skills.                                                                                                                       |
| EO 6.14           | Determine what sanitary precautions should be taken in preparing and storing food.                                                                          |
| EO 6.15           | Analyze controversies related to food additives.                                                                                                            |

The same general pattern is observable in the ratings of Group Two respondents. The only instances of higher attainment than desirability ratings occur in the following competency items:

| Competency Number | Competency                                                                                                                                                              |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EO 1.29           | Evaluate effects of inflationary and deflationary trends on profit motives.                                                                                             |
| EO 3.25           | Determine the actual value of endorsements such as those by periodical publications like <u>Good Housekeeping</u> and endorsing agencies like Underwriter's Laboratory. |
| EO 5.24           | Determine how value choices might differ between wealthy and poor individuals.                                                                                          |
| EO 6.14           | Determine what sanitary precautions should be taken in preparing and storing food.                                                                                      |
| EO 6.16           | Determine why certain manufacturers are not required to list ingredients on packages.                                                                                   |
| EO 6.24           | Relate costs and safety features on consumer goods.                                                                                                                     |
| EO 6.25           | Point out textile fiber properties and care considerations.                                                                                                             |

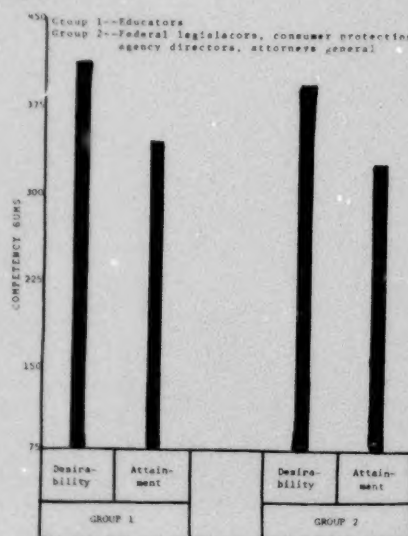
A composite of desirability means as compared to attainment means by group is shown in Figure 1.

FIGURE 1. Means of Competency Desirability Sums Compared to Means of Competency Attainment Sums Within Groups



The linear configuration formed is similar for both groups. In both cases the competency attainment means are lower than the desirability means but follow the same direction. The attainment and desirability ratings of Group Two, however, are generally lower than those of Group One. Total competency desirability and attainment sums are illustrated in Figure 2.

FIGURE 2. Total Competency Desirability Sum Compared to Total Competency Attainment Sum Within Groups





### Analysis Between Groups

A series of paired t-tests was conducted to compare the data received from Group One to the data received from Group Two. The purpose of paired t-tests was to reduce extraneous influences on the variables being measured. The tests reduce the effect of subject-to-subject variability. The t-tests comparing competency desirability scores of Group One and Group Two indicate the following items differ significantly:

| Competency Number | Competency                                                                                                |
|-------------------|-----------------------------------------------------------------------------------------------------------|
| Competency 1      | Evaluate money management techniques for effectiveness.                                                   |
| TPO 1.1           | Analyze financial resources.                                                                              |
| EO 1.21           | Distinguish between planned market and mixed economies and the difference in effect on the consumer.      |
| EO 1.23           | Point out the importance of the profit motive in a free enterprise system.                                |
| EO 1.24           | Determine consumer roles in the supply and demand, production, and distribution cycle of an economy.      |
| EO 1.25           | Interpret the monetary system and its use.                                                                |
| EO 2.12c          | Determine the jurisdiction and function of the Consumer Product Safety Commission.                        |
| EO 2.12e          | Determine the jurisdiction and function of the State Consumer Protection Agencies.                        |
| EO 3.14b          | Analyze purposes of government intervention in business related to consumer law.                          |
| EO 3.13           | Outline the constant revisions of consumption patterns brought about by changes in the family life cycle. |

The attainment scores of the following items reflect a significant difference in the perceptions of Group One and Group Two respondents:

| Competency Number | Competency                                                                                                       |
|-------------------|------------------------------------------------------------------------------------------------------------------|
| EO 1.11           | Distinguish between personal loans, 30-day notes, demand deposits, long-term notes, and certificates of deposit. |

|         |                                                                                                                                  |
|---------|----------------------------------------------------------------------------------------------------------------------------------|
| EO 1.23 | Point out the importance of the profit motive in a free enterprise system.                                                       |
| EO 1.24 | Determine consumer roles in the supply and demand production, and distribute cycle of an economy.                                |
| EO 1.25 | Interpret the monetary system and its use.                                                                                       |
| EO 1.27 | Evaluate the role of competition of goods and services on consumers' decision-making abilities.                                  |
| EO 1.31 | Outline suggestions for spending present and future income given client values.                                                  |
| TOP 2.3 | Propose ways consumers can have input into the legislative process.                                                              |
| EO 3.22 | Outline advantages and disadvantages to consumers.                                                                               |
| EO 3.24 | Assess how prices are determined and how they are affected by comparison.                                                        |
| EO 4.12 | Outline the legal requirements of a contract.                                                                                    |
| EO 4.13 | Point out purposes of wills and trusts and how each is established.                                                              |
| EO 4.22 | Analyze the use of eminent domain.                                                                                               |
| TPO 5.1 | Determine how individual goals affect consumer behavior.                                                                         |
| EO 5.11 | Develop a consumer value system that considers a self-determined quality of life rather than only the quantities of acquisition. |
| EO 5.14 | Relate costs to the values of beauty, function, and conservation.                                                                |
| EO 5.21 | Distinguish consumer values in a variety of ethnic cultures and socioeconomic groups.                                            |
| EO 5.22 | Point out advantages and disadvantages of a variety of life styles.                                                              |
| EO 6.15 | Analyze controversies related to food additives.                                                                                 |



- EO 6.21 Compare advantages and disadvantages of various housing accommodations which exist such as mobile homes, hi-rise apartments, and condominiums.
- EO 6.22 Evaluate criteria used in selecting housing such as safety, convenience, ventilation, lighting, appliances, etc.

In a comparison of the competency desirability means between groups, the means were generally in the same direction and closely aligned with the Group One ratings generally higher. Reversal of this trend occurs only in the following competency items:

| Competency Number | Competency                                                                                                                     |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------|
| EO 1.18           | Describe the types of financial institutions and financial services offered.                                                   |
| EO 1.32           | Demonstrate the ability to organize work loads and set priorities.                                                             |
| EO 1.33           | Analyze the terms of credit buying.                                                                                            |
| TPO 2.1           | Evaluate legislation affecting consumer rights and responsibilities.                                                           |
| EO 2.11b          | Point out FTC rules regarding holder-in-due-course.                                                                            |
| EO 2.11c          | Point out FTC rules regarding advertising.                                                                                     |
| EO 4.23           | Compare various consumer contracts such as insurance policies, warranties, leases, credit agreements, and purchase agreements. |
| EO 4.24           | Distinguish landlord/tenant rights and privileges.                                                                             |

The desirability ratings of the educator group are also generally higher than those of Group Two. Reversal of this positioning occurs only for the competencies listed below:

| Competency Number | Competency                                                                                        |
|-------------------|---------------------------------------------------------------------------------------------------|
| EO 1.13           | Evaluate different types of checking accounts, NOW accounts, SHARE accounts and savings accounts. |

- EO 1.17 Analyze statistical data obtained from conducting research in the area of consumer economics.

- EO 1.18 Describe the types of financial institutions and financial services offered.

- Competency 6 Evaluate wise consumer buying skills.

- TPO 6.1 Develop informed buying techniques related to food purchasing.

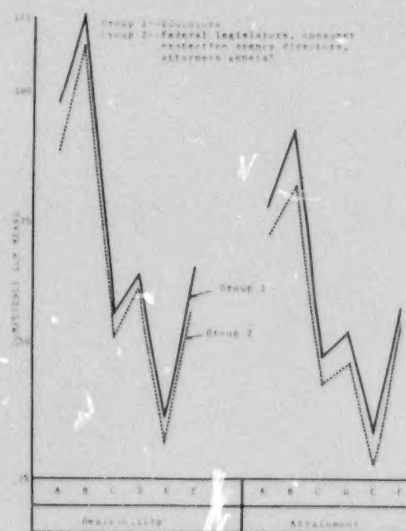
- EO 6.11 Analyze nutritional labeling on products.

- EO 6.24 Relate costs and safety features on consumer goods.

- EO 6.27 Assess advantages and disadvantages of licensing occupations.

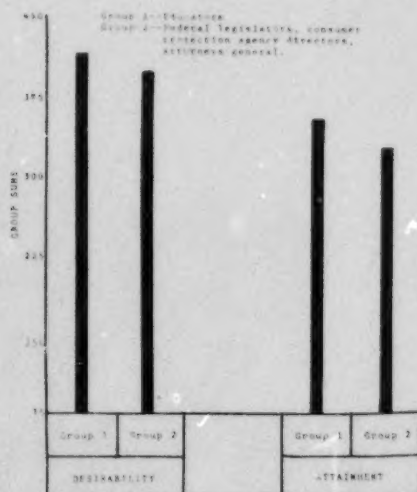
Figure 3 illustrates the sums of competency desirability and attainment ratings for Groups One and Two.

FIGURE 3. Means of Competency Desirability Sums Compared to Means of Competency Attainment Sums Between Groups.



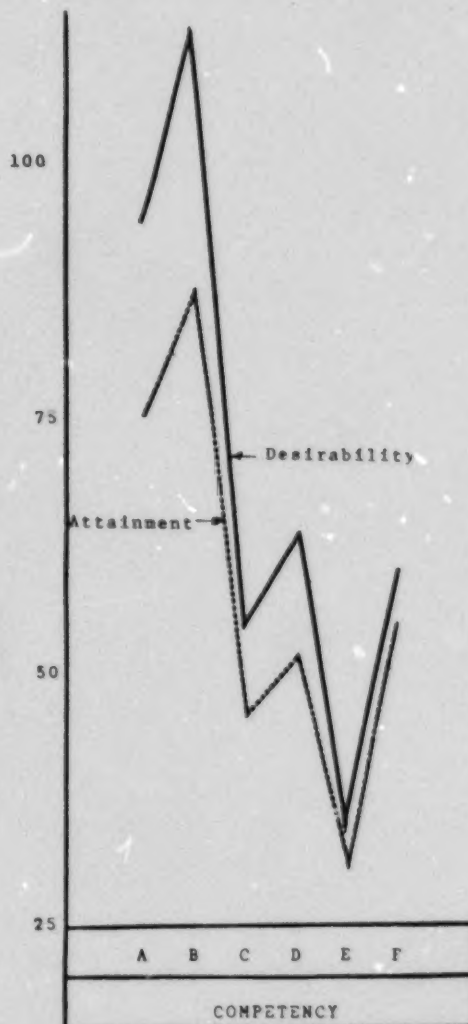
The sums of competencies A to F were compared between groups. No significant difference was found in the perceptions of the two groups regarding competency desirability in Competencies A, B, C, D, E, or F. Similarly no significant difference was found in the perceptions of the respondents as to level of competency attainment. A graphic representation of the competency desirability and attainment sums by group is shown in Figure 4.

FIGURE 4. Total Competency Desirability Sum Compared to Total Competency Attainment Sum Between Groups



A highly significant difference, however, was found between the competency and attainment ratings for Competencies A, B, C, D, and E in both groups. No significant difference was found in the ratings of either group for Competency F concerning wise buying skills indicating satisfaction with the degree of emphasis and achievement related to the competency item. A comparison of total competency desirability and total competency attainment also reveals a significant difference. Figure 5 illustrates competency desirability sums compared to competency attainment sums.

FIGURE 5. Competency Desirability Sums Compared to Competency Attainment Sums



#### Conclusions

The lack of significant difference between the two test groups indicates a congruence of opinion related to priorities of competency desirability as well as general agreement as the level of competency attainment reached. Curriculum objectives, therefore, should be based on the identified competencies and emphasized as being most desirable to both groups. The significant difference between the desirability and attainment levels indicates a re-evaluation of present curriculum objectives is necessary to facilitate goal attainment. The generally higher ratings of the educator group may reflect either a slight inflation on the part of educator perceptions or a lack of understanding of the nature of consumers' economics education by the members of Group Two. The following specific conclusions have been drawn:

1) Educators, legislators, consumer protection agency directors, and attorneys general perceive the same competencies as desirable. Curriculum objectives should be based on this consensus of competency goals.

2) Educators, legislators, consumer protection agency directors, and attorneys general perceive attainment levels lower than desired levels of competency.

3) Competency attainment related to the evaluation of money management for effectiveness, assessing the role of government in protecting the consumer, evaluating the roles of advertising in consumer purchasing, evaluating the legal rights, responsibilities, and procedures for redress related to consumer purchasing, and developing a set of values and appraising value systems in consumer behavior needs to be upgraded with related curricula enhanced and strengthened.

4) Competency attainment related to the development of wise buying skills indicates a current curricular strength of programs in consumers' economics in home economics.

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URBAN AND RURAL LOW INCOME CONSUMERS' MARKET BEHAVIOR:  
Implications for Consumer Education<sup>1</sup>

David B. Eastwood and Roger M. Swagler<sup>2</sup>

Abstract

Rural and urban low-income consumers were surveyed with respect to their behaviors as consumers and their knowledge of and attitudes toward consumer issues. Few significant differences emerged between urban and rural populations; neither could specific pressing needs be identified. A more general pattern of difficulties emerged, suggesting ongoing problems with most aspects of the market.

Introduction

Although most Americans could benefit from additional consumer education, there are pressing reasons why the need is most urgent for low-income consumers. This group has a restricted range of market experiences stemming from limited abilities to purchase. Low incomes are associated with less leverage in the market place, making it harder for individuals to protect themselves. Margins of error are smaller for low-income consumers so that poor purchasing behavior has a pronounced adverse effect on their well-being. Finally, such consumers typically have less formal education and fewer of the general skills which are helpful in the marketplace.

Because the American economy relies primarily upon markets, the fundamental economic question of how to distribute goods and services is answered through the individual's ability to pay. Therefore, individual needs can be met only when there is commensurate purchasing power. It follows that low-income individuals, who by definition have limited purchasing power, have an added incentive to be efficient shoppers. Unfortunately, information on the manner in which low-income consumers operate in the marketplace is limited making an assessment difficult.

Because of variations within the low-income population, it would be useful to differentiate between individuals in urban centers and those in rural areas. Information in this case, however, is even more limited. Both groups have pressing needs, but we would expect that the significant differences between the two would lead to differences in behavior. Physical environments differ, and while the urban consumer has the potential for a greater range of choices, the rural consumer has a greater opportunity for

self-sufficiency. These differences may translate into discrepancies with respect to market experiences, buyer behavior and special needs.

The paper presents the initial results of a survey of urban and rural low-income consumers. The objectives of the study included: determination of where these consumers were having the greatest problems with respect to fraud and deception, identification of inefficient market behaviors, and comparisons of urban and rural consumers. Conclusions drawn from the survey indicate the directions in which low-income consumer education programs should move to be more effective for these populations.

Needs Survey

The consumer studies faculty at the University of Tennessee, Knoxville received funding from the U.S. Office of Consumers' Education for a project to demonstrate that existing public service agencies can be viable mechanisms for the effective delivery of consumer education. Two community action committees offering wide varieties of public services were subcontractors. The Knoxville-Knox County Community Action Committee (CAC) serves an urban population. The Douglas-Cherokee Economic Authority (DCEA) serves a primarily rural population in East Tennessee, spread across six counties. Clients of both agencies, the respondents of the survey, had to meet federal poverty guidelines.

Creation of the Needs Survey was accomplished by the UTK staff in cooperation with the two agencies. Potential problem areas were identified and questions relating to each were constructed.<sup>3</sup> Additional questions were developed to learn about the market behavior of these consumers and to obtain some demographic information. Because of the generally low reading levels of the clients, the questions were written at approximately a fourth grade level. A pretest was conducted and changes made to increase the clarity. The Appendix to this paper contains survey questions which are germane to the discussion. Training seminars were held for the agencies' staffs, and graduate students in the consumer program assisted in the interview process. Respondents were clients contacted as part of the on-going agency programs.

<sup>1</sup> This research was funded by the U. S. Office of Consumers Education, Department of Health, Education & Welfare, #G007802039 (September, 1978 -December, 1979).

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<sup>3</sup> These were: owner occupied and rental housing, buying situations (mail-order, mail or phone response to TV or radio ads, door-to-door, unsolicited phone calls to purchase goods or use credit, and car repairs), credit, savings accounts, and life insurance.



Samples for CAC and DCEA respectively were 229 and 298.

### Results

Comparisons of the demographic information reveal important similarities and differences. These are highlighted below. No significant difference in the sex of the respondent occurred - approximately three-quarters were female, question 3. Significantly more of the CAC respondents were the heads of households, question 1. There is no significant difference in the proportions having members under 20 years of age. Response to question 8 indicated almost all respondents had a television. CAC respondents were more likely to rent and to have a phone and less likely to have a car than the DCEA respondents, questions 6, 9, and 10. The urban sample of CAC had significantly more aged 65 and over as well as a higher proportion being black, questions 2 and 4. An older sample is consistent with CAC having significantly more respondents living alone. Proportionately fewer DCEA respondents having less than a high school education is not surprising for the Southern Appalachian region.

Examination of the buying situation questions reveals unexpected results. Comparisons of the responses lead to three important implications. One is that no specific area, among those covered, stood out as the most important. Second, there were no significant urban-rural differences. There were no significant differences in the good ratings for home repair (question 12), or landlord satisfaction (question 13), the use of mail order catalogues (questions 14-16, door-to-door sales (questions 17-20), and unsolicited phone calls (question 21), and satisfaction with car repairs (question 32). Third, both groups tended to recognize the same buying situations as risky (question 37). An inference to be drawn is that problems of low-income consumers are not associated with urban vs. rural residence.

Life insurance seems to be somewhat of a problem area. Response to question 33 indicates fairly wide coverage for each group. The method of collection casts some doubt on the quality of the coverage, question 34. Very few of those sampled have other than some sort of term insurance as reflected in question 35. Most of the coverage appears to be burial insurance, question 36, especially with the generally older CAC sample. Perhaps the most insightful insurance question is 55. Less than half of those sampled recognized that there is a difference among policies.

What can be said of the market behavior of urban and rural low-income consumers? The needs survey attempted to address this issue in an unobtrusive

manner. Questions were designed to reveal actual market behavior without their being phrased in such a way as to make the "correct" market behavior response obvious. Examination of these questions identifies where many of the low income consumers' problems lie.

One area is that of information acquisition. Question 38 asked respondents whether they used and trusted various sources of information. Notice the low proportions for buyer's guides, government reports, newspaper or magazine stories, radio or tv ads, and the Extension Service. Given that the CAC sample is older and the DCEA sample is more apt to be living near relatives, the significant differences for friend and relative are expected. Significantly higher use of the Better Business Bureau for the urban sample is not surprising, due to its proximity. Fewer retail stores in rural areas may be the DCEA respondents' reason for greater use of buyers' guides.

A second area is that of perceived buyer expertise with respect to the type of goods purchased. This is reflected in question 39. Very little difference is found in the pattern of experience by type of good for the urban and rural samples. Residential location does not appear to affect buyers' perception of expertise. Another implication is that differences in the use and trust of information sources does not seem to be related to experience.

Comparison shopping does not appear to be a widely employed activity of either group. Roughly 70 percent of each group feels shopping around is worth the time and effort (question 41). But less than two-thirds shop around for groceries and other household items, and approximately one-half of both groups use it when shopping for appliances (question 40). Transportation could be a major factor as revealed by questions 42 and 43.

Several questions were directed towards intertemporal decisions regarding credit and saving. Credit is used sometimes by 67.1 of the CAC respondents and 76. of DCEA's, and the difference is not significant, question 27. Thus, credit costs can be an important expense for those on very limited budgets. CAC had a significantly smaller proportion of respondents with no credit cards, question 11. This was due in part to the age difference. CAC also had significantly more with no loans, question 26. These differences may be a consequence of significantly fewer CAC respondents having a car. Question 29 asked respondents to indicate the rate of interest for their loans, and approximately three-quarters of each group indicated an interest rate which was well outside existing rates for the types of loans they have. These consumers were equally unaware of the interest rate associated with a savings account, if they had one. About one-

third of each group had an account, question 30, and of those who did 69.8 percent of the CAC respondents and 53.8 of the DCEA respondents indicated an incorrect rate of interest, and the difference the percents is not significant, question 31. An inference to be made is that interest rates appear to be misunderstood by these consumers.

Further analysis of low income buyer behavior is provided through a set of specific purchase statements. These are 45 through 59. Three responses were possible for each statement: yes, no, don't know. Coding of the responses was on the basis of whether or not the respondent knew the right answer.<sup>4</sup> Reported scores are the proportions of each sample correctly responding to the statements. Perhaps the most important observation to make is the very low percentages of correct responses to most of the questions, and this applies to both urban and rural samples. Exceptions are: respondents recognize that credit raises the cost of a good or service, statements 52 and 54, and that checking accounts are to protect your money, statements 56 and 57.

#### Low Income Consumer Education

How can this needs survey be used to help generate more efficient consumer education? Many problems confront the consumer educator when trying to work with this population. These include the following. Limited financial resources of program sponsors, current and long-run. Difficulty in separating consumer activities from daily routines. The adult population is outside formal educational settings, has low reading skills and tends to feel isolated. Rapport has to be established before any interaction can commence.

The research project demonstrated that the use of existing public service agencies is an effective way of addressing these problems. Such agencies have established rapport with low-income populations. Integrating consumer education into on-going programs in an unobtrusive way reaches this population via the existing rapport. Efficiencies arise in not having to create new agencies and administrative structures, and no time is lost in developing a clientele. This phase of the project clearly pointed out an extremely efficient education structure to reach low-income consumers.

Analysis of the needs survey indicated the direction in which consumer education should move to aid urban and rural low-income consumers. Comparison of urban vs. rural responses reveals

that location of residence did not appear to be associated with particular consumer problems. Knoxville is a medium-sized metropolitan area which has experienced significant growth in the last decade. Given the city's small-town past, differences between the rural and urban populations may be lessened. Also, some individuals in the urban sample were in-migrants whose rural backgrounds may have an impact. Therefore, urban-rural differences may be more pronounced in larger, older metropolitan areas. However, the consistency of the pattern in these findings and the fact that the rural areas in the sample include some of the most isolated communities in the Eastern United States suggest that rural populations may indeed have assumed characteristics more commonly associated with city dwellers.

Neither group seems to have special problem areas which can be clearly identified as most pressing needs. Rather, a more general pattern of difficulties emerged, suggesting that individuals in the population had ongoing problems dealing with most aspects of the market. The pattern of consumer inefficiency indicates a dysfunctional situation.

Even when available, opportunities for comparison shopping were not taken. Major sources of information were not used and trusted, even though respondents felt their own experience was adequate only for grocery shopping. General confusion was evident with respect to money management, insurance and credit.

A major implication of the study, then, is that efforts to provide consumer education should have a general orientation toward functioning in the market rather than a specific focus on particular buying situations. Given the findings, similar programs were developed for both urban and rural populations. The thrust was toward basic shopping techniques, money management programs and information acquisition patterns.

Given the strength of established patterns and the weakness of behavioral controls, countering dysfunctional behavior is a most ambitious goal for consumer education. However, the needs survey indicates that such an effort is needed. Success in this area has the advantage of impacting on all aspects of consumer behavior.

<sup>4</sup>The Appendix only presents those questions of the actual survey which pertain to the discussion in the paper. Results are reported as the proportions of each sample and an \* denotes a significant (.05) difference between samples. The actual number of responses to a particular question may be different from respective samples due to interviewer errors or nonapplicability.

<sup>4</sup>In several instances the right answer depends on Tennessee law.

Appendix: Needs Survey Questionnaire+

| Demographic Section                                                                                                      |                     | CAC          | DCEA                |       |      |
|--------------------------------------------------------------------------------------------------------------------------|---------------------|--------------|---------------------|-------|------|
| 1. Are you the head of the household (main bread winner)?                                                                | Yes:                | 76.4 *       | 60.7                |       |      |
| 2. How old are you?                                                                                                      | Less than 20        | 3.1          | 3.7                 |       |      |
|                                                                                                                          | 20 - 35             | 21.9         | 23.2                |       |      |
|                                                                                                                          | 36 - 50             | 14.0*        | 20.1                |       |      |
|                                                                                                                          | 51 - 65             | 22.4         | 30.5                |       |      |
|                                                                                                                          | Over 65             | 38.6*        | 22.5                |       |      |
| 3. What is your sex?                                                                                                     | Male:               | 76.0         | 73.8                |       |      |
| 4. What is your race:                                                                                                    | White:              | 67.7*        | 78.5                |       |      |
|                                                                                                                          | Black:              | 30.6*        | 20.5                |       |      |
|                                                                                                                          | Other:              | 0.0          | 0.0                 |       |      |
| 5. How far did you go in school?                                                                                         | Less than 12 years: | 67.0*        | 76.1                |       |      |
| 6. Do you own or rent your home?                                                                                         | Own:                | 55.5*        | 68.4                |       |      |
|                                                                                                                          | Rent:               | 44.5         | 31.6                |       |      |
| 7. If you have household members in these age groups, circle them.                                                       | 0-20:               | 28.5         | 35.6                |       |      |
|                                                                                                                          | Over 65:            | 51.6*        | 29.9                |       |      |
| 8. Do you have a television?                                                                                             | Yes:                | 97.8         | 95.3                |       |      |
| 9. Does anyone in your household have a car?                                                                             | Yes:                | 50.0*        | 70.5                |       |      |
| 10. Do you have a telephone?                                                                                             | Yes:                | 84.2*        | 75.1                |       |      |
| 11. How many credit cards do you have?                                                                                   | 0:                  | 68.3*        | 80.3                |       |      |
|                                                                                                                          | 1-3:                | 25.4*        | 15.5                |       |      |
|                                                                                                                          | Over 3:             | 6.3          | 4.1                 |       |      |
| 12. If you are a homeowner and had a repair:                                                                             |                     |              |                     |       |      |
| (a) Do you think the repair was "good"?                                                                                  | Yes:                | 60.0         | 65.5                |       |      |
| (b) Do you think the materials were "good"?                                                                              | Yes:                | 69.0         | 71.6                |       |      |
| 13. How satisfied are you with the way the landlord keeps your apartment or house?                                       | Not Satisfied       |              | Satisfied           |       |      |
|                                                                                                                          | 1                   | 2            | 3                   | 4     | 5    |
|                                                                                                                          | CAC: 17.2           | 7.5          | 14.0                | 16.1  | 45.2 |
|                                                                                                                          | DCEA: 19.3          | 3.4          | 11.4                | 6.8   | 59.1 |
| 14. How often do you buy through the mail, a catalogue, or how often do you respond by phone or mail to TV or radio ads? | Never               | Occasionally | Frequently          |       |      |
|                                                                                                                          | CAC: 64.6           | 31.0         | 3.5                 |       |      |
|                                                                                                                          | DCEA: 64.5          | 50.7         | 4.7                 |       |      |
| 15. What did you buy in the last two years?                                                                              |                     |              |                     |       |      |
|                                                                                                                          | CAC                 | DCEA         | CAC                 | DCEA  |      |
| Clothing                                                                                                                 | 30.1                | 26.9         | Seeds & Bulbs       | 1.4   | 1.9  |
| Books & Magazines                                                                                                        | 12.3                | 10.6         | Furniture           | 5.5   | 0.0  |
| Appliances                                                                                                               | 1.4                 | 0.0          | Repair Parts        | 0.0   | 0.0  |
| Toys                                                                                                                     | 0.0                 | 0.0          | Other (combination) | 49.3* | 60.6 |

16. How happy are you with what you bought?

| Not Satisfied |          |          |          |          | Satisfied |
|---------------|----------|----------|----------|----------|-----------|
|               | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u>  |
| CAC:          | 6.9      | 5.6      | 2.8      | 11.1     | 73.6      |
| DCEA:         | 7.1      | 2.0      | 5.1      | 15.2     | 70.7      |

17. Has a door-to-door salesman come by your home in the last two years?

|      | <u>CAC</u> | <u>DCEA</u> |
|------|------------|-------------|
| Yes: | 56.0       | 65.5        |

18. Have you bought a product or service from a door-to-door salesman in the last two years?

|      |      |      |
|------|------|------|
| Yes: | 24.2 | 26.0 |
|------|------|------|

19. What did you buy?

|                   | <u>CAC</u> | <u>DCEA</u> |                     | <u>CAC</u> | <u>DCEA</u> |
|-------------------|------------|-------------|---------------------|------------|-------------|
| Clothing          | 9.7        | 3.6         | Seeds & Bulbs       | 0.0        | 1.8         |
| Books & Magazines | 29.0       | 28.6        | Furniture           | 0.0        | 0.0         |
| Appliances        | 3.2        | 7.1         | Repair Parts        | 0.0        | 1.8         |
| Toys              | 0.0        | 0.0         | Other (combination) | 58.1       | 57.1        |

20. How happy were you with what you bought?

| Not Satisfied |          |          |          |          | Satisfied |
|---------------|----------|----------|----------|----------|-----------|
|               | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u>  |
| CAC:          | 16.1     | 6.5      | 9.7      | 6.5      | 61.3      |
| DCEA:         | 32.0     | 0.0      | 4.0      | 4.0      | 60.0      |

21. Have you or anyone in your home been asked to buy something over the phone?

|      | <u>CAC</u> | <u>DCEA</u> |
|------|------------|-------------|
| Yes: | 71.1       | 66.2        |

22. Did you buy anything?

|      |     |     |
|------|-----|-----|
| Yes: | 5.7 | 7.7 |
|------|-----|-----|

23. Did you have any problems?

|      |     |     |
|------|-----|-----|
| Yes: | 7.0 | 4.0 |
|------|-----|-----|

24. Has anyone called you on the phone to say you have won a prize or discount?

|      |      |      |
|------|------|------|
| Yes: | 54.6 | 50.0 |
|------|------|------|

25. Have you received without asking a letter or phone call saying you have been given credit?

|      |      |      |
|------|------|------|
| Yes: | 20.9 | 25.3 |
|------|------|------|

26. How many loans do you have other than house payments?

|         |       |      |
|---------|-------|------|
| 0:      | 76.9* | 56.7 |
| 1-3:    | 21.1* | 40.3 |
| Over 3: | 2.0   | 3.0  |

27. Do you buy on credit?

|            |       |      |
|------------|-------|------|
| Never:     | 33.3* | 18.4 |
| Sometimes: | 67.1  | 76.5 |
| Regularly: | 4.5   | 4.8  |

28. Did you shop around for a loan or credit?

|           |       |      |
|-----------|-------|------|
| No:       | 74.2* | 85.3 |
| For Some: | 19.2  | 12.8 |
| For All:  | 6.6   | 1.5  |

29. If you are paying interest on a loan or credit account, what is the Annual Rate of Interest? (Circle)

2% 4% 6% 8% 10% 12% 14% 16% 18% 20% 22% 24%  
Don't Know

|                       |      |      |
|-----------------------|------|------|
| Proportion Incorrect: | 74.6 | 74.2 |
|-----------------------|------|------|

30. Do you have a savings account?

|      |      |     |
|------|------|-----|
| Yes: | 34.2 | 1.5 |
|------|------|-----|



31. What's the Annual Rate of Interest it pays?

3% 4% 5% 6% 7% 8% Don't Know

Proportion Incorrect: 69.8\* 53.8

32. How happy are you with car repairs?

|       | Not Satisfied |          |          | Satisfied |          |
|-------|---------------|----------|----------|-----------|----------|
|       | <u>1</u>      | <u>2</u> | <u>3</u> | <u>4</u>  | <u>5</u> |
| CAC:  | 29.0          | 3.2      | 12.9     | 9.7       | 45.2     |
| DCEA: | 34.4          | 4.2      | 8.3      | 9.4       | 43.8     |

33. Do you have life insurance on:

|                 | <u>CAC</u> | <u>DCEA</u> |             | <u>CAC</u> | <u>DCEA</u> |
|-----------------|------------|-------------|-------------|------------|-------------|
| Yourself        | 37.4*      | 21.1        | Children    | 1.6        | 1.0         |
| Husband or Wife | 6.4        | 8.2         | Combination | 55.6       | 34.7        |
|                 |            |             | No One      | 18.7*      | 55.0        |

34. Does someone collect your insurance money every week or month?

|      | <u>CAC</u> | <u>DCEA</u> |
|------|------------|-------------|
| Yes: | 72.8       | 60.0        |

35. When you get to be 65 (or your policy is paid up), will

|                                              |             |      |      |
|----------------------------------------------|-------------|------|------|
| you get your money back from your insurance? | Yes:        | 22.2 | 22.9 |
|                                              | No:         | 46.6 | 45.2 |
|                                              | Don't Know: | 31.3 | 31.4 |

36. Do you have insurance to cover the cost of burial?

|      |       |      |
|------|-------|------|
| Yes: | 61.8* | 51.9 |
|------|-------|------|

37. Everything considered, how risky do you consider each of the following ways to shop? (Think of all kinds of risks: quality, clerks, making mistakes, getting items on time, etc.).

|                         |       | No Risk  |          | Medium Risk |          | High Risk |  |
|-------------------------|-------|----------|----------|-------------|----------|-----------|--|
|                         |       | <u>1</u> | <u>2</u> | <u>3</u>    | <u>4</u> | <u>5</u>  |  |
| Usual shopping at store | CAC:  | 41.9     | 12.8     | 29.6        | 3.4      | 12.3      |  |
|                         | DCEA: | 37.4     | 26.6     | 31.8        | 2.1      | 2.1       |  |
| Door-to-Door salesman   | CAC:  | 5.1      | 1.5      | 4.1         | 5.1      | 84.2      |  |
|                         | DCEA: | 3.5      | 2.5      | 13.0        | 10.9     | 70.1      |  |
| Mail order shopping     | CAC:  | 6.7      | 7.3      | 15.0        | 11.4     | 59.6      |  |
|                         | DCEA: | 9.2      | 4.3      | 22.0        | 13.8     | 50.7      |  |
| Telephone shopping      | CAC:  | 4.7      | 2.1      | 5.7         | 3.6      | 82.9      |  |
|                         | DCEA: | 4.6      | 3.6      | 12.7        | 8.2      | 71.2      |  |

38. If you think you need to find out more about a product before you buy it, there are a number of places you can go. Some of these are listed below. Check those that you use and trust.

|                    | <u>CAC</u> | <u>DCEA</u> |                       | <u>CAC</u> | <u>DCEA</u> |
|--------------------|------------|-------------|-----------------------|------------|-------------|
| Buyers Guide       | 5.6        | 13.9        | Radio or TV Ad        | 6.5        | 4.4         |
| Government Reports | 7.4        | 3.4         | Information Seller    |            |             |
| Friend             | 22.9*      | 4.2         | (Salesman, Pamphlets) | 2.8        | 7.1         |
| Relative           | 23.3*      | 42.9        | Extension service     | 3.3        | 2.7         |
| Newspaper or       |            |             | Better Business       |            |             |
| Magazine Story     | 7.0        | 3.7         | Bureau                | 32.6*      | 13.2        |
| Newspaper Ad       | 9.8*       | 21.6        |                       |            |             |

39. How much experience do you have with buying the following kinds of things?

|           |       | Little   |          | Some     |          | Lots     |  |
|-----------|-------|----------|----------|----------|----------|----------|--|
|           |       | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |  |
| Groceries | CAC:  | 3.6      | .5       | 6.8      | 5.4      | 83.8     |  |
|           | DCEA: | 6.1      | .3       | 8.1      | 4.7      | 80.7     |  |
| Cars      | CAC:  | 58.6     | 3.1      | 17.8     | 5.6      | 14.1     |  |
|           | DCEA: | 48.8     | 12.1     | 20.7     | 7.4      | 10.5     |  |

|                        |            |      |      |      |      |
|------------------------|------------|------|------|------|------|
| Home Improvements      | CAC: 40.6  | 7.3  | 24.0 | 7.3  | 20.3 |
|                        | DCEA: 34.6 | 11.9 | 30.9 | 8.9  | 13.8 |
| Home Appliances        | CAC: 25.0  | 5.1  | 28.6 | 14.3 | 26.0 |
|                        | DCEA: 15.8 | 10.2 | 40.4 | 11.2 | 22.5 |
| Clothes                | CAC: 3.8   | 4.7  | 15.2 | 12.3 | 64.0 |
|                        | DCEA: 9.6  | 4.4  | 19.1 | 11.5 | 54.9 |
| Non-Prescription Drugs | CAC: 27.5  | 8.3  | 29.5 | 10.4 | 24.4 |
|                        | DCEA: 36.6 | 5.2  | 22.8 | 6.9  | 28.6 |

40. Do you generally find it more convenient to shop at just one store (instead of shopping around) for:
- |                               | CAC       | DCEA |
|-------------------------------|-----------|------|
| Groceries and household items | Yes: 63.0 | 63.4 |
| Appliances                    | Yes: 47.0 | 55.2 |
41. Do you think that shopping around is worth the time and effort? Yes: 68.4 74.5
42. Is transportation a major problem for you when it comes to shopping? Yes: 51.2 52.2
43. Do you think you'd really shop around much more if you had better transportation? Yes: 49.5 51.2
44. What do you generally buy: Cheapest: 38.5\* 49.5  
House Brand: 11.1 16.3  
Name Brand: 50.5\* 34.3
- \*\*45. Suppose someone puts a new roof on your house. You pay him, but he doesn't pay the building supply company for the shingles. That's his problem and you don't have to worry about it. Right: 23.7 25.8
46. A friend of mine bought some cookware from a door-to-door salesman. She realized the next day that it was a bad buy, but she had already signed a contract. Does she still have to buy the cookware? Right: 32.1 35.6
47. A widow lady I know was renting a house, but the plumbing didn't work. She wrote the landlord about it, but he didn't fix it. Now she says she doesn't have to pay rent until it's fixed. Is she right? Right: 53.2\* 32.0
48. If there is a GUARANTEE on a product, that means the company will fix it if anything goes wrong. Right: 24.0 20.4
49. Suppose you get some greeting cards in the mail, but you didn't order them. Is it legal for you to keep the cards without paying? Right: 32.1\* 49.8
50. If you see an ad in the paper about a sale, you can believe what it says because the government wouldn't let them print it if it weren't true. Right: 58.6 54.9

\*\*Survey results indicate the proportions of each sample which correctly answered the statements.

|                                                                                                                |              |      |
|----------------------------------------------------------------------------------------------------------------|--------------|------|
| 51. If you don't keep up on your car payments, the dealer can just come and pick up the car whenever he wants. | Right: 34.8  | 29.9 |
| 52. Most of the time, if you finance a purchase, it will cost you much more than if you paid cash.             | Right: 92.1  | 89.2 |
| 53. It really doesn't matter where you get credit; you'll be charged about the same wherever you go.           | Right: 39.0  | 45.1 |
| 54. A store that gives credit will probably have higher prices.                                                | Right: 81.7  | 78.0 |
| 55. It doesn't really matter what kind of life insurance you buy; they're all pretty much the same.            | Right: 38.9* | 48.8 |
| 56. If you have your own checking account, then anyone in your family can use it.                              | Right: 86.2  | 87.5 |
| 57. Do you feel checking accounts are a way to protect your money?                                             | Right: 64.4* | 81.4 |
| 58. It really doesn't matter what kind of aspirin you buy, they are all pretty much the same.                  | Right: 47.4  | 54.2 |
| 59. You need medicine because you are sick; is there only one price for the drug the doctor says you need?     | Right: 66.1  | 68.9 |

# MAKING USE OF EDUCATIONAL OPPORTUNITIES IN STATE CONSUMER PROTECTION OFFICES

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## Abstract

Consumer affairs students can benefit greatly from educational experiences in government consumer protection agencies. With decreased funding for these agencies at the Federal level increased reliance must be placed on state level agencies to provide such experiences. A survey of state consumer protection agencies was conducted to gather data concerning the use of college student personnel in their offices. Although almost three-fourths of the agencies use of college student personnel, less than one-half use students majoring in Consumer Economics or Home Economics. A strategy for consumer educators to use when establishing consumer protection agency based educational programs is presented.

## Introduction

As consumer educators we are constantly facing the challenge of making our teaching more interesting, challenging, and realistic for our students. One way of making education more realistic and relevant is to provide students with the opportunity to apply the knowledge and skills obtained in the classroom. What better way to provide this application than through an internship or part-time position in an appropriate setting.

Students in consumer studies are being prepared for positions in industry, education, and government. Even among those students considering a career in education or business, a working knowledge of government consumer protection efforts is very important to their future success. Therefore, a logical setting for the application of consumer education concepts would be an internship position with a government agency.

In the past, a considerable focus of consumer affairs internships and work experiences in government has been on the Federal level. Agencies such as the Federal Trade Commission, Food and Drug Administration, and Consumer Education Resource Network have provided students with valuable learning experiences. However, these opportunities were never available to most students because of the scarcity of positions and the difficulty of traveling to Washington for the internship. Furthermore, the recent budget cuts of many of these Federal Agencies have lessened their ability to provide internships.

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Another common source of work experience for college students in consumer studies has been state consumer protection agencies. As the opportunity for Federal experiences declines, the relative importance of state agencies as providers of educational experiences will increase. Recently, the University of Kentucky has begun a working relationship with the Consumer Protection Division of the State Attorney General's Office. As a preliminary to the establishment of this relationship, an effort was undertaken to determine how consumer protection offices in other states are using student workers. This paper outlines the results of this effort.

A survey and letter of explanation were sent to the state consumer protection office in each of the fifty states. The offices were asked to respond concerning their use of college students in the administration of their consumer protection function. After one month, a follow-up letter was sent to those who had not responded.

## Results

A total of forty-seven states returned completed questionnaires and the remainder were contacted by telephone. Several of the states added information to supplement their answers to the questions. These comments were helpful in determining the importance of student workers to the office, in clarifying how students were utilized, and why in some cases students were not used.

As indicated Table 1, 8 percent of the responding states ( 43 of 50 ) reported using students in their consumer protection functions. Although the states not using students tend not to be highly urbanized, no other pattern or commonality was detected.

## Student Employee Classifications

Respondents were asked to indicate how their student help was classified ( Table 1 ). Five responses were possible including "other." They were; intern, part-time employee, volunteer, and summer employee.

The most common response was that of intern which was reported by 84 percent of the states which use college students. These student interns receive academic credit for their work and may or may not be paid salaries by the agencies.

In 42 percent of the states which use college students at least some of those students are classified as part-time employees. Students were classified as part-time employees if they received pay but no academic credit for their work. Michigan's Assistant Attorney General replied



"These students have proved invaluable as they have provided not only daily assistance but the personnel for in-depth studies and research which our regular staff, because of budgetary and time restrictions, would be unable to undertake."

The next most commonly reported classification was that of volunteer. These student volunteers provide a free source of help to 40 percent of the offices which reported that they used college students. Volunteer programs may become increasingly popular as economic pressures cause states to cut back on personnel and programs. For example, Iowa takes advantage of students as volunteer "consumer complaint handlers." If it were not for this program, according to the Iowa Attorney General's Office, "... We would probably have to turn down as many as 1,500 to 2,000 consumer complaints each year that we now try to work on. This does not even count the numerous telephone calls that they take to advise consumers in their problems."

The classification mentioned least was that of summer employee. Like part-time employees, these students are paid but receive no academic credit for their work. This classification was selected by 35 percent of the states responding that they use college students. It had been thought that most states using college student workers would be especially likely to make use of such help during the summer months because of the need to replace employees on vacation and the fact that more students might be available. A possible explanation for the opposite finding might be that college students desire full-time, well-paid work during the summer and that state agencies are not often able to provide this type of employment.

#### Academic Background

The questionnaire also focused on the academic background of students working for state consumer protection offices (Table 2). Among those states which use college students the most commonly selected response was that of Law (70%). This was followed by Consumer Economics (47%), and Business Administration (47%). Less than one-half of the states which use college students reported using students with backgrounds in Home Economics (40%), Social Sciences (34%), Journalism (21%), and English (14%).

It was not surprising that law students were most frequently mentioned as being among the students working in state Consumer Protection agencies. The legal nature of many of the tasks performed in these offices places great importance on legal expertise. This importance is exemplified in Michigan where twenty-five law students are employed part-time each year by the Consumer Protection Division.

Of more direct concern to consumer educators is the number of states using consumer economics and home economics students. Consumer economics

students are part of the consumer protection team in forty percent of the states responding. Home economics students work in the consumer protection offices in thirty-four percent of the responding states. Thus, it appears that consumer economics and home economics students are well represented when compared with majors other than law (60%). While this is encouraging, one has to wonder why consumer economics and home economics students have not been placed in those states which either do not use college students at all or which use students from other fields.

States (n=7) which reported that they did not use college students were asked if they would use such students if they were available. None of these states answered this question in the affirmative. When asked the reason for their negative response, most states did not reply. Those that did cited such reasons as lack of space, distance from the colleges, and a lack of experience on the part of students. Judging from the reasons given (or the lack of reasons) it appears that each of the states could be persuaded to make use of college students if the appropriate approach were used.

#### Expanding Educational Opportunities

What then is the appropriate approach to be taken when attempting to establish an educational relationship with an agency? It might be best to view the situation similarly to a selling situation. In any sales situation a number of steps are taken. They are to get to know the customer(s) and their needs, to describe the product and how it will meet those needs, to overcome objections, to close the sale, and to follow-up to ensure satisfaction. Each of these steps can be adapted to the educational setting.

Getting to know the staff of the consumer protection office is a first step. This can involve going to the office in order to discuss the functions performed, to determine the limitations of the office especially in terms of staffing, and to learn of any previous experiences with college students. A good question that might be asked during such a visit might be, "If you could hire five more people for this office, how would you use them?" The answer should provide insight into the needs of the department and as to how students might provide assistance in meeting those needs.

After this initial visit and discussion the focus can turn to the students. It will be important to provide details as to their special skills and knowledge, especially as they pertain to the agency's needs. The educational benefits of an experiential learning program for the students will also need to be discussed. It is important to focus both on how students can help the agency, and how the agency can help the students. A mutually beneficial relationship should be emphasized.

At this point, agency personnel might become more

specific about their questions about how such a program can be implemented and/or their objections to using students. It will be necessary to be prepared to address such topics as: specific duties students are able or not able to perform, criteria for granting academic credit for the work experience, the duration of the experience, faculty responsibilities for related classroom training, and salary questions if applicable. At this stage it is very important to anticipate questions and objections in order to provide adequate responses.

Hopefully, at this point it will be possible to "close the sale." A good approach is to suggest that one or two students be taken on for a one term trial program. These students should be among those most highly qualified in order to minimize the number of problems that might develop and to serve as "advertising" for future participants.

To ensure satisfaction after the "sale" and enhance the placement of students in the future, continued attention to student progress is very important. A key element should be a list of objectives for the experience to be developed by the student soon after beginning the program and with the assistance of the faculty and work supervisors. Students should write the objectives with an eye towards obtaining as wide a variety of educational experiences as possible. These objectives should be reviewed by the work supervisor to ensure that the experiences outlined can be provided by the office and that they meet the agency's needs. The faculty supervisor should review the objectives to ensure that they are appropriate for the number of academic credits to be awarded. This implies that the objectives should be neither too extensive nor too limited.

The objectives will also serve as a basis for evaluating the students' progress periodically and at the conclusion of the program. The final evaluation should be conducted by all three parties: the student, the faculty supervisor, and the work supervisor. Each will be able to provide differing perspectives as to the degree to which the experience was successful and how future experiences might be organized to yield the maximum benefit for all involved.

TABLE 1  
CLASSIFICATION OF STUDENTS IN CONSUMER PROTECTION AGENCIES

| State          | Intern | Part-time | Volunteer | Summer | Other |
|----------------|--------|-----------|-----------|--------|-------|
| Alabama        |        | X         |           |        |       |
| Arizona        | X      |           |           | X      |       |
| Arkansas       | X      | X         |           |        |       |
| California     | X      | X         | X         | X      |       |
| Colorado       | X      | X         | X         | X      |       |
| Connecticut    | X      |           |           |        |       |
| Delaware       | X      |           | X         |        |       |
| Florida        | X      |           |           |        |       |
| Georgia        | X      |           |           |        |       |
| Hawaii         | X      | X         |           | X      |       |
| Idaho          | X      |           |           |        |       |
| Illinois       | X      |           | X         |        |       |
| Indiana        | X      |           |           | X      |       |
| Iowa           | X      | X         | X         | X      |       |
| Kansas         | X      |           | X         |        |       |
| Kentucky       | X      | X         |           | X      |       |
| Louisiana      | X      | X         |           | X      |       |
| Maine          | X      | X         | X         | X      |       |
| Maryland       | X      | X         | X         | X      |       |
| Massachusetts  | X      | X         | X         |        |       |
| Michigan       | X      |           |           |        |       |
| Minnesota      | X      |           |           |        |       |
| Mississippi    | X      |           |           |        |       |
| Missouri       | X      |           |           | X      |       |
| Montana        | X      | X         |           |        |       |
| Nebraska       | X      |           | X         |        |       |
| New Jersey     | X      |           | X         |        |       |
| New Mexico     |        |           | X         |        |       |
| New York       | X      |           |           |        |       |
| North Carolina | X      |           |           |        |       |
| North Dakota   | X      | X         |           | X      |       |
| Ohio           | X      |           | X         |        |       |
| Oregon         |        |           | X         | X      |       |
| Pennsylvania   | X      |           |           |        |       |
| Rhode Island   | X      |           | X         |        |       |
| South Carolina |        | X         |           |        |       |
| Tennessee      |        | X         |           |        |       |
| Texas          |        | X         |           | X      |       |
| Utah           |        |           |           |        | X*    |
| Vermont        | X      |           | X         |        |       |
| Virginia       | X      |           |           |        |       |
| Washington     | X      | X         | X         | X      |       |
| Wisconsin      | X      | X         |           |        |       |
| Total          | 36     | 18        | 17        | 15     | 1     |

\*Full-time

TABLE 2

## ACADEMIC BACKGROUND OF STUDENTS IN CONSUMER PROTECTION AGENCIES

| State          | Law | Consumer<br>Economics | Business | Home<br>Economics | Social<br>Sciences | Journalism | Communi-<br>cations | English |
|----------------|-----|-----------------------|----------|-------------------|--------------------|------------|---------------------|---------|
| Alabama        |     |                       | X        |                   |                    |            |                     |         |
| Arizona        | X   |                       |          |                   |                    |            |                     |         |
| Arkansas       | X   | X                     | X        |                   |                    |            |                     |         |
| California     | X   | X                     |          |                   | X                  | X          |                     | X       |
| Colorado       | X   | X                     |          | X                 | X                  |            |                     |         |
| Connecticut    |     | X                     | X        | X                 | X                  |            |                     |         |
| Delaware       | X   | X                     | X        | X                 |                    |            |                     |         |
| Florida        | X   |                       |          |                   |                    |            |                     |         |
| Georgia        |     |                       |          | X                 |                    |            |                     |         |
| Hawaii         | X   |                       |          |                   |                    |            |                     |         |
| Idaho          | X   |                       | X        |                   |                    |            |                     |         |
| Illinois       |     | X                     |          | X                 |                    |            | X                   |         |
| Indiana        | X   | X                     |          |                   |                    |            |                     |         |
| Iowa           | X   | X                     | X        | X                 |                    | X          | X                   |         |
| Kansas         |     | X                     | X        | X                 | X                  |            |                     |         |
| Kentucky       | X   | X                     | X        | X                 | X                  |            |                     |         |
| Louisiana      | X   |                       |          |                   |                    |            |                     |         |
| Maine          | X   | X                     | X        |                   | X                  |            |                     |         |
| Maryland       |     | X                     | X        |                   | X                  | X          | X                   | X       |
| Massachusetts  | X   | X                     | X        |                   | X                  | X          | X                   | X       |
| Michigan       | X   |                       |          | X                 | X                  |            | X                   |         |
| Minnesota      | X   |                       |          |                   |                    |            |                     |         |
| Mississippi    | X   |                       |          |                   |                    |            |                     |         |
| Missouri       |     |                       | X        |                   | X                  |            |                     |         |
| Montana*       |     |                       |          |                   |                    |            |                     |         |
| Nebraska       |     | X                     |          |                   |                    |            |                     |         |
| New Mexico     | X   |                       |          | X                 |                    |            |                     |         |
| New York       | X   | X                     | X        | X                 |                    |            |                     |         |
| North Carolina | X   |                       |          | X                 | X                  |            |                     |         |
| North Dakota   | X   | X                     |          | X                 |                    | X          |                     |         |
| Ohio           |     | X                     | X        | X                 |                    |            |                     |         |
| Oregon         |     |                       |          | X                 |                    |            |                     |         |
| Pennsylvania   | X   |                       |          |                   |                    | X          | X                   | X       |
| Rhode Island   | X   |                       | X        |                   | X                  |            | X                   |         |
| South Carolina | X   |                       |          |                   |                    |            |                     |         |
| Tennessee      |     | X                     | X        |                   |                    |            |                     |         |
| Texas          | X   | X                     | X        | X                 | X                  | X          | X                   | X       |
| Utah           | X   |                       |          |                   |                    |            |                     |         |
| Vermont        | X   |                       | X        |                   | X                  |            |                     |         |
| Virginia       | X   |                       |          |                   |                    |            |                     |         |
| Washington     | X   |                       | X        | X                 | X                  | X          | X                   | X       |
| Wisconsin      | X   | X                     |          |                   |                    | X          |                     |         |
| Total          | 30  | 20                    | 20       | 17                | 15                 | 9          | 9                   | 6       |

\*Did not respond to this item.



## ASSESSMENT OF CLERGY FINANCIAL PLANNING ASSISTANCE NEEDS

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### Abstract

Full-time ministers were surveyed in order to ascertain areas in which assistance (information, education, etc.) was desired to deal with both personal financial problems and requests for financial counseling by congregation members. Assistance with specific problem areas such as housing and consumer credit was less often desired than assistance with more general areas such as financial planning and money management. Ministers interested in personal assistance were also more likely to be interested in professional assistance.

### Introduction

Consumers are finding it increasingly difficult to stretch their financial resources to obtain their desired level of living. Rapidly escalating prices, particularly for necessities such as food, energy and shelter have complicated the process of financial planning. In recent years growth in real pretax family income has barely kept pace with inflation. Even when income does increase many consumers find that their disposable income is lowered because this increase has put them into a higher tax bracket. The trend toward increased Social Security, as well as state and local taxes has further diminished income available for consumption and saving.

Increased use of credit has also contributed to financial problems. Consumers who have borrowed up to a "safe" limit often find themselves overextended when events such as increased prices for necessities such as food or energy, an unplanned but needed purchase such as automobile repairs, or loss of income due to illness or unemployment occur.

Successful financial planning is needed for individuals and families to maintain or enhance economic well-being or to solve the problem of financial overextension. Because financial problems have been found to cause and/or aggravate personal and family problems (1,2) successful financial planning can also have a positive influence on overall quality of life.

Interest in financial planning has increased in recent years, perhaps as a response to the previously mentioned factors. The number of magazines and newsletters specifically dealing with financial planning has increased to meet this need. General magazines and newspapers, as well as radio and television have expanded coverage of financial topics. The Cooperative Extension Service has also responded by focusing more of

its educational programs on financial planning for the maintenance of economic well-being as well as for the remediation of financial problems (7). Remediation of financial problems and, in some instances, education programs are provided by over 200 local, nonprofit Consumer Credit Counseling Services (8). Social service agencies, credit unions, labor unions and fraternal organizations also engage in financial counseling and/or education.

Individuals and families are increasingly calling upon the clergy to provide financial planning assistance in addition to the more traditional spiritual counseling. The potential effectiveness of the clergy in the financial planning area is great since they are among the few persons who may have contact with all members of the family throughout the life cycle. Despite the fact they are the first persons many families contact when they have financial problems, the clergy often have the least training in the financial planning field (3).

While there is little systematic research on financial problems of the clergy there are several factors that might necessitate training to deal with financial problems from the personal as well as from the professional perspective. One is that, for the most part, neither clergy salaries nor pension benefits have kept pace with the cost of living. Related to this is the fact that clergy salaries often peak much earlier than those of other professionals with similar levels of education. In addition, high startup expenses in relation to initial and longrun salaries, may cause financial problems for beginning clergy (3).

Some organizations, such as the Interfaith Council for Family Financial Planning, have developed education programs to assist the clergy in family financial planning (4-6). While there is an indication that such programs have been well received, their continued success depends, first of all, upon whether the clergy perceive enough of a need to participate. Even if there is perceived need, such programs must also focus on areas in which the clergy are having the most difficulty. At the present time there is little systematic research on assessment of financial planning problem areas among the clergy, or of clergy willingness to obtain assistance in these areas. The research reported below provides an indication of clergy personal and professional financial planning needs as well as the willingness to obtain assistance.

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## Methodology and Description of Sample

Data were obtained from a mail survey of full-time ministers serving in local United Methodist Churches in the Birmingham Episcopal area which includes the state of Alabama and the North-western panhandle of Florida. The purpose of the survey was to gain an objective understanding of the minister's financial needs and concerns in order to determine what information, services, education programs, etc., are necessary to effectively deal with the rising cost of living and related financial management problems.

Questionnaires were mailed to 632 ministers on November 3, 1980 with a followup letter sent three weeks later on November 24. By the February 1, 1981 cutoff date, 251 ministers (approximately 40 percent) had replied. Almost all (98.4 percent) of the respondents were male and an overwhelming majority (94.8 percent) were married. In order to strengthen conclusions and generalizability it was decided to limit the analysis to male married ministers which reduced the sample to 234.

Most (95.3 percent) of the ministers in the study sample were white; only 3.4 percent were black and 1.3 percent were American Indian. None of the respondents was under 25 years old, while only 3.4 percent were 65 or older. The greatest proportion (38.5 percent) were in the 45-54 age range. The ministers were more highly educated than the general population; nearly 80 percent had graduate degrees and 11 percent had baccalaureate degrees. Average family size was 3.3 persons. In 1979, earnings from ministerial duties ranged from \$1,600 to \$30,000 with a mean of \$12,943. When income from all sources was considered, mean family income was a substantially higher \$17,293. Median family income, however, was \$15,400. This is much lower than the national median of \$21,643 for all husband-wife families in 1979 (9). It should be mentioned that 93 percent of the ministers lived in church-provided housing. Median estimated value of this housing was \$2,800.

## Findings

The questionnaire contained a listing of common financial difficulties encountered by many individuals and families. Ministers were requested to circle those areas with which they desired assistance for personal and/or professional reasons. The mean number of personal problem areas circled was 3.3; for professional problem areas the mean was 3.0.

As Table 1 indicates, general financial planning was the area most often circled for both personal and professional reasons. Since the survey found that 48 percent of the ministers had no long range financial plan, the high proportion inter-

ested in personal assistance is not surprising. Slightly over half of those ministers without long range financial plans were interested in personal assistance. Nearly two-fifths of those ministers with long range financial plans, however, also desired assistance. In another section of the questionnaire ministers were requested to rank the most important financial problems facing congregation members. Although general financial planning ranked eighth, it was felt to be a problem area by a third of the ministers. Its number one ranking under professional assistance desired suggests that the ministers feel that they could (and/or should) provide counsel in this area if they had some training.

TABLE 1. Desired Assistance With Financial Problems

| Problem                          | Type of Assistance Desired by Ministers |                  |
|----------------------------------|-----------------------------------------|------------------|
|                                  | Personal (%)                            | Professional (%) |
| Financial Planning               | 44.4                                    | 31.6             |
| Money Management                 | 38.9                                    | 25.6             |
| Taxes                            | 37.6                                    | 20.1             |
| Buying Goods and Services        | 20.9                                    | 9.4              |
| Goal Setting                     | 20.5                                    | 27.4             |
| Estate Planning                  | 20.5                                    | 20.9             |
| Life Insurance                   | 15.0                                    | 4.7              |
| Health Insurance                 | 12.4                                    | 5.6              |
| Credit                           | 12.0                                    | 9.0              |
| Housing                          | 12.0                                    | 9.8              |
| Consumer Redness                 | 10.3                                    | 8.1              |
| Property and Liability Insurance | 6.4                                     | 3.8              |
| Other                            | .1                                      | .1               |

Money management was the second most frequently chosen area under the personal category and was third under the professional category. It should be noted that over 57 percent of the ministers had either no spending plan or else an unwritten plan. The high personal priority given to this problem may reflect a desire to remedy this situation. Since the ministers ranked money management the second most important financial problem (after inflation) facing congregation members, the high professional priority given to this problem is understandable.

Goal setting, which is fundamental to financial planning, was the second most often circled for professional reasons, but only fifth for personal reasons. The fairly low personal priority might seem curious given the high priority assigned to general financial planning. It should be mentioned that the survey elicited information on both longrun and shortrun financial goals. The fact that three-quarters of the ministers were

able to outline both types of goals indicates that they may feel that goal-setting is not a personal problem area.

Estate planning, another aspect of general financial planning, was chosen by about one-fifth of the sample for both personal and professional reasons. The fairly low personal priority is understandable since the survey found that nearly 60 percent of the ministers had a will and almost half reported that their spouse had a will.

As may be seen, taxes was a problem with which assistance was frequently desired for both personal and professional reasons. Although nearly 21 percent of the ministers wanted personal assistance with buying goods and services, less than 10 percent wanted such information for professional reasons.

Far fewer ministers desired either personal or professional assistance with problems such as insurance, credit, housing and consumer redress. One reason for these findings may be that the ministers did not feel that counseling of their congregation members should extend to specific problem areas such as how to buy life insurance or where to obtain redress for a consumer problem. Another reason may be that most of the respondents may believe that their expertise in these areas is sufficient to handle any related personal and/or professional problems.

#### Conclusions and Implications

Personal and professional assistance with specific problem areas such as housing and consumer credit were much less often desired than assistance with more general areas such as financial planning and money management. The high proportion of ministers without either long-range financial plans or spending plans may be one reason for the desire for personal assistance. The fact that money management and financial planning were perceived as major problems for congregation members may be one reason for the desire for professional assistance. Although inferences cannot be made about all members of the clergy, it would appear that for this group education programs geared to general financial planning, money management and goal setting is a necessity.

It should be mentioned that a person desiring assistance with a particular problem might not be motivated enough to take advantage of an education program dealing with that problem. Findings indicate that ministers interested in personal assistance were more likely to also be interested in professional assistance. For example, 55 percent of those ministers desiring personal assistance with financial planning also wanted professional assistance. For goal setting this proportion was an even higher 71 percent. It is

likely, therefore, that many of these ministers would take advantage of the recommended education programs since assistance was desired for both personal and professional reasons.

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This study seeks to advance understanding of consumer boycotts by identifying and describing those which occurred in the United States from 1970 through 1980. The study draws upon a variety of data sources to explore major characteristics of 90 boycotts which occurred during this eleven-year period. Among the questions of concern are the following: Who initiated the boycotts? What were the concerns of the boycotters? What actions did they take? Against what targets? With what degree of success?

In what follows the data collection procedures of the study are delineated, and a summary of the major findings is presented and briefly discussed.

#### Procedures

##### Defining Consumer Boycotts

A consumer boycott was defined as an attempt by one or more parties to achieve certain objectives by urging individual consumers to refrain from making selected purchases in the marketplace. This boycotts were viewed, for the purposes of this study, as marketplace actions despite the fact that the term is also commonly used to describe social actions of an ostracizing nature, e.g., absenting oneself from a meeting in an effort to communicate one's dissatisfaction with it. The working definition also restricts boycotts to actions involving the discontinuation of marketplace purchases by individuals rather than organizations. A third characteristic of the working definition concerns the objective of the boycott. Consumer boycotts were viewed as marketplace means to what may or may not be marketplace ends. While marketplace ends (e.g., lower prices) have been a common boycott concern of consumer activists, cursory examination of news media publications over the last decade suggests that a variety of other objectives have motivated other activists to initiate consumer boycotts. The study examines these undertakings as well as those of consumer activists.

##### Data Sources

Principal among the sources of boycott information consulted were major American newspapers and magazines. For the eleven-year period of the study the three newspapers with index (The Christian Science Monitor, The New York Times and The Wall Street Journal) were surveyed for news articles on consumer boycotts. This effort was supplemented by a parallel search of magazines through The Reader's Guide to Periodical Literature and by the use of a relatively new data source, Newsbank, which provides an index to articles appearing in newspapers published in cities throughout the United States. (The articles themselves are available on microfiche transparencies.) In addition, a mail survey was

conducted of consumer editors of daily newspapers with circulations of 100,000 or more in an effort to identify consumer boycotts which occurred in their communities. Still other sources tapped included computerized data bases for various social science and business periodicals and the files of the new Center for the Study of the Consumer Movement, an offspring of Consumers Union, the publisher of Consumer Reports, located in Mount Vernon, New York. Finally, it should be noted that once individual boycotts were identified through these various sources, the information they provided was often found to be incomplete, necessitating mail inquiries to the boycott principals in an effort to fill the gaps.

##### Potential Sources of Procedural Bias

Before examining the findings of the study, some potential sources of bias which characterize the data collection procedures should be noted. First, despite the fact that they all offer national coverage of the news, the three major newspapers examined have Eastern Seaboard origins (The Christian Science Monitor is published in Boston and The New York Times and The Wall Street Journal in New York) and, as a result, boycotts in this area of the country may be over-represented in the sample. Since the other data sources are more truly nationwide in scope, they are in a position to offset the potential Eastern Seaboard bias, but the use of one of them, Newsbank, may have introduced a bias of another sort. As noted earlier, this reference source was established in 1973, and thus boycotts occurring prior to this time may be under-represented in our sample. For these reasons as well as others, the resultant sample of 90 consumer boycotts should be viewed not as the total population of boycotts occurring in the United States in the 1970-80 period, nor as a representative sample of this population. Caution would suggest that they be considered a cross-section of the population.

Caution would also suggest that the potential for bias in the descriptions of the boycott activity should also be recognized. One candidate is the "event" orientation of news media reports. A successful boycott is in one very real sense a "non-event" in that consumer purchases which would normally be made are not; news media attention therefore is often not attracted to this non-event but rather to the statements of the various principals in the boycott dispute. Thus there is a real danger that news accounts may be more influenced by press statements than by consumer actions in the marketplace.

Complicating matters further is the real possibility that a press statement reported by a major newspaper or television news program becomes an important behavioral reality in itself, which could have more public relations impact on the boycott outcome than the actions (or inactions)



of the boycotters. Thus, news accounts are seen as descriptions of events which may also be important events in themselves.

#### Principal Findings of the Study

Perhaps the major finding of the study is the pervasiveness with which boycott actions have affected many aspects of American life in the past decade. The study found that boycotts have been called or threatened by groups representing racial and religious minorities, as well as groups distinguished by special social, economic, environmental, labor, political and moral concerns. The targets of their efforts have also been extremely diverse, consisting of financial institutions, retailers, producers, utilities and non-profit organizations. And the offenses which have sparked the boycott initiatives resulted from the actions of these target groups as well as the actions of others, including foreign governments, domestic governments (at city, state and federal levels), television networks, pro-abortion groups and private individuals. Moreover, the study findings indicate that no region of the country has remained untouched by the boycotts, with actions reported in the West and Midwest as well as the South and Northeast. Furthermore, the findings make clear that actions occurred at all territorial levels, although national and local levels were the most commonly reported as the intended scope of the boycotts.

A second study resulted of interest is the strong trend toward increasing frequencies for boycotts over the eleven-year period of the study. Even though some of this effect may be artifactual (reflecting more comprehensive news reportage in more recent years), it seems safe to conclude that boycott frequencies have not declined over the last decade and, indeed, are likely to have increased at least modestly.

While the study findings concerning boycott pervasiveness and increasing frequency may be of primary interest to social scientists, other study results relating to strategic and tactical considerations are more likely to attract the attention of social activists. Three data trends relating to their concerns are especially noteworthy.

The first is the tendency for "direct" boycotts to be associated with success more frequently than "indirect" boycotts. This finding suggests that activist groups considering an indirect (surrogate) boycott should carefully consider whether they can realistically expect their actions against one party to induce it to successfully apply pressure on another.

A second trend in the data which may be of interest to social activists is for boycotts with an intended national scope to succeed more frequently than those with an intended scope at the local level. While this finding may be partly artifactual, reflecting more extensive news coverage for the national level successes, it may

also reflect the presence of better planning and organization for national campaigns. In light of this finding, local groups considering a boycott may wish to pause to ask themselves if they have the wherewithal to carry it off successfully.

A third trend in the data which may have import on the deliberations of social activist groups concerns the differential impact of actions at varying levels of militancy. Interestingly, it was the extreme points on this dimension which were more often associated with success. This finding suggests that groups considering a boycott may wish to make this possibility known in the hopes that the prospective target of the boycott will yield to their demands and avoid the boycott. Should this tactic fail, the study findings suggest that the groups may not wish to pursue the boycott unless they are prepared to mount a fullscale effort including extensive organizational preparations as well as demonstrations and/or pickets.

We close this discussion of study findings with implications for social activists by noting that the coin is two-sided; targets of boycotts can, of course, benefit from the information as well, by using it to influence their judgments concerning the likely impact of the boycotters' actions. It is expected, however, that targets of boycott actions will usually look elsewhere for guidance - to hard data such as changes in sales volume or other indicators of boycott effectiveness.

#### Summary

Characteristics of 90 consumer boycotts were examined which occurred in the United States during the 1970-80 period. The results indicate that consumer boycotts have affected a wide range of protect groups, target organizations and issues in all regions of the nation. They also appear to be on the increase. Several factors were identified which may influence the effectiveness of boycotts.

MARITAL PROPERTY REFORM: FORMULATION AND IMPACT OF AN  
EDUCATIONAL CAMPAIGN ON PUBLIC POLICY

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Abstract

Much of the focus of the consumer movement has been on transactions in the acquisition of property. Only limited attention has been directed toward property ownership. The diversity of property laws across states creates potential confusion concerning the rights of spouses in the control of property. Reform legislation has created the opportunity for involvement by home economists and consumer educators in analysis and education on alternative property law. Wisconsin is considering substantial marital property reform. This report examines proposed property law changes and the educational campaign to inform citizens about alternative proposals.

One of the major efforts in the consumer movement has been to change the existing legal structure to benefit consumers. Major advances have been made in areas such as credit, housing and safety. Home economists and consumer educators have been instrumental in helping consumers to influence decisions and understand public policy.

Currently many states are considering fundamental changes in basic marital property laws. These discussions usually revolve around community property laws. In general, this topic is referred to as marital property reform. These proposed fundamental changes in the legal structure have far-reaching implications for consumers and families. This paper discusses the major issues in marital property reform, a media educational program for consumers and a system to measure the impact of this program.

Marital Property Reform Issues

There is growing recognition throughout the country that inequities and problems exist under the many diverse state property laws. For example, special problems occur as people move from state to state, not realizing that marital property receives different treatment in various jurisdictions.

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In 42 states which are separate property jurisdictions,<sup>2</sup> property acquired during marriage belongs to the person whose earnings paid for it.

With that ownership goes the right to manage, control and make decisions regarding this property. Women, whose major contribution to the family has been nonmarket home production, usually build up no rights of property ownership. In many cases these homemakers have not realized that they lack financial resources until they attempt to obtain credit, or until divorce or death of a spouse has forced a property settlement. Because of the lack of recognition of their vulnerable position, they have not utilized the complex legal tools available to make property ownership more equitable. In acquisitions of real property, the decisions regarding optimum ownership arrangements are frequently misunderstood or not investigated, thus the complex legal tools needed to guarantee equality are not used. Marital property reform proposes fundamental changes in how property is handled in marriage. In particular, it reflects the unique economic partnership that marriage represents.

Even though a husband and wife may accumulate the proceeds of their joint work efforts, few of these are legally the wife's unless she has earned wages or received gifts or inheritances. A non-wage earning wife frequently cannot get credit in her own name. Federal credit laws support creditors who deny non-wage earning homemakers credit because the homemakers have no apparent ability to repay.

Even though a wife may have spent most of her life supporting her family with her work in the home, she frequently finds that she has only personal items to give through a will. The contribution of homemaking does not give her an equal right to half the assets of the family or to will them.

<sup>2</sup>The eight remaining states are community property states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas and Washington). In community property states the basic underlying assumption is that assets

acquired during marriage, except for gifts and inheritances, belong equally to both spouses, no matter who earns the money to buy them.

In some states, non-wage earning spouses may find themselves in a better legal and economic position after divorce or legal separation because at separation or divorce they may receive half the family assets. Thus, after dissolution of the marriage they have legal control over a substantially greater share of the assets than when married. This strikes many people as inconsistent with the concept of marriage.

Even being an employed homemaker does not solve the problem completely. The employed woman generally earns less than her spouse, yet she still remains the major contributor of "non-valued" homemaking. Furthermore, if spouses do recognize the imbalance of their personal financial resources, they may encounter gift tax obligations when making transfers.

Some attempts to use the existing legal system such as holding property in joint tenancy are not always viable solutions. These attempts may have offsetting costs such as increased inheritance taxes as well as the difficult task of proving contribution to certain incomplete transfers. Even efforts such as increased marital deductions at the time of the breadwinner's death do not remedy the spouse's problem of not having equal management and control of assets during lifetime.

#### Alternative Reform Proposals

To address the inequities of the present separate property laws in Wisconsin and to bring about reform, legislators, legal experts and concerned citizens began intensive research seven years ago. This study culminated in a proposal called the Comprehensive Marital Reform Bill which incorporates many community property rules. This bill is in many ways similar to the marital property act being drafted by the National Conference of Commissioners of Uniform State Laws and thus may provide a particularly useful example of marital property reform legislation.

The bill recognizes wages, earnings and other economic benefits (such as insurance, pensions, or post-employment benefits) arising from either spouse's labor, skill or employment during marriage as belonging equally to both partners. Gifts and inheritances received by either spouse during the marriage would remain separate property.

This reform legislation may provide the recognition and protection that many couples

now assume they have under current law. For example, based on the non-wage earning spouse's ownership interest of half the marital assets, the law grants creditworthiness to both spouses and provides equal management and control of marital property. It also permits testamentary disposition of one-half of the family's assets, enabling each to will their half. Furthermore, the proposed legislation removes any taxes on gifts and inheritances between spouses. People can modify the system through individual marriage contracts and retain certain property as separate property.

Recently, an alternative bill has been proposed which would retain the Wisconsin separate property system, but "overhaul" it. This alternative bill provides for the right of a spouse to obtain court action for a division of property and/or assignment of income as a means of officially partitioning property during an on-going marriage. It includes increased access to credit for non-wage earning spouses and the opportunity to elect one-half, rather than one-third of the estate at death. It also provides for the right to individual marriage contract agreements and the removal of taxes on interspousal transfers.

#### Educational Campaign

In order that the people of Wisconsin might participate in this public policy decision, it was important for them to understand the present property system and the proposals for change. Even though people tend to exhibit little interest in public affairs and few participate actively, public education is essential to enhance opportunities for public affairs participation (2, p. 35). Based on this view, an educational campaign was organized.

Goals in the campaign were to make the audience aware of present property laws and current marital property reform bills, to urge people to form attitudes about the reforms, and to encourage them to take action based on these attitudes.

The actions anticipated were that residents would evaluate their own property situation and see the implications of how title is presently held. They would study the proposed bills, share the information with friends and organizations and would let their legislators know their opinions about the bills.

In terms of desired participation in the political process, almost all authorities



agree that voting is not enough. Active involvement of citizens is the process that helps policy makers get direct information from people for a truer feeling of their wants and needs. Verba and Nie (5, p. 80) categorized political involvement into four broad modes: voting, campaign activity, particularized contacts and cooperative activity. In particularized contacts the citizen determines the timing and acts alone using low pressure and high information on the legislator. Cooperative activity is initiated by citizens, often as groups, and takes place at any time or in relation to any issue. The pressure on the legislator ranges from low to high with a high amount of information transmitted. The goals of studying the bills, sharing information and letting their legislators know how they felt about them are examples of active political participation beyond voting and campaign activity.

The campaign was introduced with emphasis on three major problem areas found under current state laws and both proposed marital property reform bills. They were credit and how credit laws apply to wage-earning and non-wage earning spouses, management and control of family money, and state inheritance and gift tax laws associated with property transfers between spouses and between generations.

In order to most effectively communicate the messages and motivate public participation, appropriate delivery methods for audiences, goals, and resources were selected (1, p. 16).

#### Public Media

Public media is fast and reaches a large audience at low cost. Radio, television and newspapers can create and heighten awareness. A series of 15 public service announcements, PSAs, were written, voiced or taped for the University of Wisconsin-Extension public service announcement disc, or record, which is mailed to 120 commercial radio stations in Wisconsin. These same PSAs in script form were mailed to 15 commercial radio stations in large metropolitan areas which do not regularly receive the disc. Surveys show that 85 percent of the stations receiving the disc make frequent use of these PSAs. However, larger radio stations prefer to produce their own PSAs from information supplied in script form.

Several live call-in radio shows were produced and aired on Wisconsin Public Radio for the largest farm and consumer program in the state--an audience of about 80,000. As a result of query letters sent to commercial stations, several radio interviews were broadcast. Since the topic is complex, show

hosts were offered a list of lead-in questions before the programs were taped.

Because of the broad scope of the topic, query letters were sent to local and national family and consumer television programs. Only Wisconsin-based programs have been produced to date. Several cable television programs, both audience participation and interview, have been produced. These programs have been retained on videotape and are being circulated among the state's cable television stations.

It was originally intended that news feature information stories be sent to all state dailies. After consultation with a major state editor, it was decided to send fact sheets to supplement news stories on the two bills instead of the prepared articles to those papers with a paid circulation of over 35,000. Larger papers prefer to delegate complicated topics to staff writers. The 26 smaller state daily papers received a "package" of three news-feature stories and a cover letter. The package zeroed in on the two bills and the three biggest problems under present law. Past experience shows that 65 percent of all editors of smaller papers use such stories more than half the time.

Extension home economists received a separate series of three news stories for them to localize and use in their own weekly columns. Each media release urged the reader or listener to call or write for more information. Both campus and county-based faculty have taught classes on marital property reform throughout the state. The local press have frequently reported information from these meetings.

Legislators also received the fact sheets detailing the impact of the pending legislation. After consultation with legislators, a separate fact sheet for residents was prepared which gave guidelines for communicating with elected representatives and these were sent whenever further information was requested. This "action fact sheet" explained the importance of legislator contact and the most effective methods of influence. Personal visits, telephone calls and mail were perceived as being effective methods of communication.

#### Controlled Media

Controlled media such as direct mailings and exhibits reach a selective audience and can provide more complex information. For example, a portable table-top exhibit was designed and constructed so it could be folded into a large mailing container and sent anywhere in the state at a reasonable cost.



Used first as a manned exhibit at the meeting of the Wisconsin Home Economics Association, it continues to be used in public places--courthouses, banks and malls--to increase awareness before a program is presented in an area.

A comprehensive brochure comparing present property laws with the two bills was produced and distributed to county-based faculty as background for their programs throughout the state.

#### Personal Contact Media

When using personal contact media, the communicator can reach a small selective audience and have high control over the presentation of complex information. One example is teleconferencing, a point-to-point hook-up via the low cost state telephone system. Lines from campus offices to homes or meeting sites have proven to be a practical, inexpensive and effective delivery method with instant feedback (3, p. 14). The portable, amplified microphone equipment was made available through UW-Extension. Teleconferencing informs and instructs via two-way, active, spontaneous exchanges between faculty and groups. Participants freely asked questions and shared experiences and were not intimidated by the equipment. Supplemented by fact sheets, overhead transparencies, slides and county-based faculty to assist in the teaching, teleconferencing has proven to be an economical and satisfactory substitute for face-to-face meetings.

County-based faculty were able to share in area teaching assignments because on-campus instructors have presented training programs to Extension farm management agents and home economists through the use of the interactive Educational Telephone Network (ETN). The ETN system, which reaches all 72 counties, is used to keep county-based faculty current with educational practices. These instructors work closely with families in the teaching of estate planning and financial management concepts. In addition, a "short course," especially for women was conducted at the three-day statewide College Week for Women. An open meeting, sponsored by UW-Extension with legislators, lawyers and Wisconsin Women's Network, was attended by 200 women during College Week. Other face-to-face contact with audiences included community organized public meetings in 38 counties.

Using a computerized mail system, called electronic mail, county-based faculty were provided information on the current status of the legislation and emerging problems. In this system, messages, including news releases, are typed at a terminal. Once the

information is sent, it is immediately available at the county office's terminal. This two-way system allowed county personnel to ask questions concerning the bills and receive an overnight answer. Prior to public hearings on the bills, the electronic mail system was used to give county faculty guidelines for their own use and to help them assist local residents in preparing testimony.

Even though legislative hearings were held on the bills, it seemed most effective to inform and educate the public over the period of time from when the bills were being drafted until they came to a vote in March of 1982 rather than releasing the bulk of information at one time. Thus, the campaign extended from January, 1981 to early 1982.<sup>3</sup>

#### System for Measuring Impact

With limited resources, it is important to know the effectiveness of the media educational program. In this system of measuring impact, particular attention is being devoted to assessment of knowledge and implications of the current property ownership laws. Attitudes toward equality and property ownership in marriage may underlie the perceived need for change in the separate property system and consequent participation in policy development. Whether or not residents are aware of the proposed legislation and the content of the alternative bills is being assessed also.

The investment in the educational campaign by consumer educators is being evaluated based on the identification of the sources of information and the knowledge which respondents report. Where they have received the current information and where they will go for further information are important to future educational efforts in estate and financial planning.

Another focus in the system is on activities in policy development for which a continuum of public policy participation has been developed. Participation ranges from seeking information about the problem, informing family and friends, writing newspaper editors and legislators, meeting and conferring with elected officials and community leaders, joining and working with organizations

<sup>3</sup>Several events have occurred in the recent property reform debate in Wisconsin: legislation has passed to make interspousal transfers tax-free, and after lengthy debate in the legislature, neither reform proposal was passed. The proposals very likely will be reconsidered during the next legislative session.

seeking changes, and speaking to groups to educate others. This measure will allow scaling of participation and thus provide a measurement for statistical analysis. The analysis is being designed to discover interrelationships among demographic and media variables, knowledge, and participation in the policy development process. The data are being collected by use of a structured questionnaire administered to a sample of Wisconsin residents via random digit dialing telephone contacts.

#### Summary

Federal guidelines for new initiatives in home economics (4, p. 39) emphasize the importance of management skills in analyzing the economic implications of property transfer laws. Helping the public assess legislation and take action requires knowledgeable and politically astute professionals. Acting as a liaison between families and legislators, home economists and consumer educators have a role in translating needs and the impact of proposed public policy to others. Because of our education and experience, we are in a position to investigate problems and interpret policies which impact upon families. Those consumer educators involved in the Wisconsin marital property reform educational campaign are giving leadership to public policy developments.

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## FACTORS MOTIVATING CONSUMER ENERGY CONSERVATION

Joan K. Gray, UCD<sup>1</sup>

### Abstract

In order to evaluate public policies aimed at encouraging residential energy conservation, it is necessary to know what factors affect the decision to invest in energy-saving capital. Climate and a history of other energy conserving behaviors were shown to be more significant than financial variables.

### Introduction

Over the past decade, rapidly rising energy prices have made energy conservation necessary for many households; moreover, energy conservation is required to reduce national dependence on imported petroleum. Consequently, many public policies have been proposed or enacted, at all levels of government, which are aimed at encouraging investment in energy-conserving capital goods. Incentives such as tax credits, subsidies, free products, and low interest loans have been offered to the American public. Policy analysts are faced with the task of evaluating alternative programs in an effort to determine past, as well as future, effectiveness. What is needed is a model which predicts the probability of investment in a particular type of capital good. Once we know which factors most strongly influence a particular investment decision, the optimal strategy for selecting the best public policy will closely follow. For example, there are several categories of factors which might influence the decision to invest in insulation.<sup>2</sup> The decision may be primarily financial and, thus, influenced by such factors as income, existence of and awareness of tax credits or the size of one's home (larger homes are proportionately more expensive to heat). Characteristics particular to the home may be the key impetus to investment. Such factors as size, value and type of home may be important here.<sup>3</sup> Alternatively, climate may be the major factor as measured by the number of heating or cooling degree days per year in the area where the home is located. Finally, none of these more rational reasons may be the basis for investment. Perhaps it is a person's attitude toward the need for energy

conservation which is the crucial factor. People who believe in the importance of saving energy may undertake investment even when it is not economically rational to do so. They may feel that they are, in some small way, contributing to the ultimate solution to the energy problem. A proxy for a pro-conservation attitude might also be how many other energy-saving activities a respondent has undertaken in the past.

Results of this study should provide evidence to policymakers regarding the necessary direction of future regulation. For example, if financial factors are the most significant factors, a program of tax-credits and subsidies would be advisable, whereas, if attitudes and energy-conservation behavior appear to dominate, an extensive program of consumer education would be most valuable. Alternatively, if house-related features appear to provide the impetus to insulate, a more long range planning approach will be necessary to replace the obsolete stock of housing.

### Methodology

#### Survey Instrument and Sample Selection

This analysis is based upon data which was collected in conjunction with the W-159 Western Regional Experiment Station Project, "Energy Consequences for the Western Region", under the auspices of the U.S.D.A. A ten-page questionnaire, nine pages of which were sent out in all other participating states, was sent out in early 1981. Questions solicited information on energy conservation practices and attitudes, socio-economic characteristics of respondents and home-related factors. The California page, sent only to those in that state, focused on insulation.

The sample was stratified in two ways. First, each county was designated rural or urban based upon the presence of a Standard Metropolitan Statistical Area (SMSA). Each of these sets were then segmented into six regional areas by north-south and by coast-valley-mountain. From each of these twelve subgroups, one county was randomly selected. This stratifying technique enabled selection of a more representative sample and allowed for analysis by climate and region. The stratification guaranteed that approximately half of the questionnaires would go to rural residents.

All telephone directories in a selected county were enumerated allowing names to be drawn at random from these books. Of the 1655 questionnaires sent out, 629 usable returns were received. Deducting undeliverable and ineligible respondents, this resulted in an adjusted response rate of 48.6 percent.

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<sup>2</sup>Insulation was selected as an example of an energy-saving capital investment because of its ubiquity.

<sup>3</sup>Because of the high degree of colinearity among the home-related variables in this data set, only age was actually used in the analysis.



## Variables

The dependent variable for this analysis is the level of insulation currently in the home. Four levels were included: R-0 (none), R-11, R-19, and R-30. The mean level was between R-11 and R-19 (refer to Table 1). Eight independent variables were included. Income ranged from zero to \$60,000 with a mean of \$28,273. Residence in an area which has a high number of heating (HDD) or cooling (CDD) degree days were included separately. A pro-energy-conservation attitude index was compiled. Score range was 0-16 with a mean of 10. A similar index was compiled to measure pro-energy-conservation behavior. Respondents were given one point for each energy conservation feature presently in their homes or activity currently practiced for a possible maximum score of 19, and a mean score of 7.29. A comparison of these two means reveals that most respondents have a positive attitude toward energy conservation (average score is 62%) but have actually undertaken a much lower percentage (average = 38%) of energy conservation activity. Awareness of either the state or federal tax credit for the installation of energy-conserving features was included. Eighty-one percent of the sample were aware of at least one of these credits. Home size was also included. Since large, uninsulated homes are so expensive to heat and cool, one would expect owners of such houses to undertake additional investment behavior. The average home size in this sample was 1513.8 square feet. The last variable included was year in which the home was built. The mean home in the sample was eleven years old which indicates it predates the onset of the "energy crisis" by several years.

TABLE 1. Descriptive Statistics

| Variable                              | Mean    | Minimum | Maximum |
|---------------------------------------|---------|---------|---------|
| 1. Insulation level                   | 1.3898  | 0.      | 3.000   |
| 2. Income                             | 28273.  | 0.      | 60000.  |
| 3. Heating degree days                | 0.18220 | 0.      | 1.000   |
| 4. Cooling degree days                | 0.44915 | 0.      | 1.000   |
| 5. Energy Conservation Attitude Index | 10.013  | 0.      | 16.000  |
| 6. Energy Conservation Behavior Index | 7.2966  | 0.      | 19.000  |
| 7. Awareness of tax credit            | 0.81780 | 0.      | 1.000   |
| 8. Size of home                       | 1513.8  | 500.0   | 3000.   |
| 9. Year home built                    | 12.356  | 1.0     | 16.000  |

Only 269 respondents knew the level of insulation in their homes. A complete set of data was not available for each of these. The final sample size for these analyses was 236.

## Findings

Coefficients of correlation between variables are listed in Table 2. Level of insulation tends to increase when the home is in a region with a large number of cooling degree days (CDD) but tends to decrease when there are a high number of heating degree days (HDD). In most parts of California, the primary weather concern is cooling rather than heating. In this sample, only 20 percent live in the colder climate type while 44 percent live where it is often uncomfortably hot<sup>4</sup>. The apparent contradiction in the sign of the insulation-HDD correlation may be attributable to the fact that the highest number of heating degree days (HDD) anywhere in California is 4632. This is a very low maximum when compared to other states.

TABLE 2. The Correlation Coefficient Matrix

| Variable                              | Correlations |         |         |         |         |         |         |         |       |
|---------------------------------------|--------------|---------|---------|---------|---------|---------|---------|---------|-------|
| 1. Insulation level                   | 1.000        |         |         |         |         |         |         |         |       |
| 2. Income                             | 0.1423       | 1.000   |         |         |         |         |         |         |       |
| 3. Heating degree days                | -0.3190      | 0.0374  | 1.000   |         |         |         |         |         |       |
| 4. Cooling degree days                | 0.4420       | 0.0158  | -0.4262 | 1.000   |         |         |         |         |       |
| 5. Energy Conservation Attitude Index | -0.0028      | -0.0848 | 0.0505  | -0.0445 | 1.000   |         |         |         |       |
| 6. Energy Conservation Behavior Index | 0.4880       | 0.0318  | -0.1815 | 0.1283  | 0.2785  | 1.000   |         |         |       |
| 7. Awareness of tax credit            | 0.2118       | 0.1900  | -0.0900 | 0.1173  | 0.1207  | 0.2814  | 1.000   |         |       |
| 8. Size of home                       | 0.2325       | 0.5432  | -0.0746 | 0.0485  | -0.1134 | 0.1872  | 0.1649  | 1.000   |       |
| 9. Year home built                    | -0.1741      | -0.0817 | 0.1233  | -0.2046 | -0.0191 | -0.1204 | -0.1476 | -0.1840 | 1.000 |

Increased levels of insulation are highly positively correlated with other energy saving conservation activities as one would expect. There is no correlation, however, between level of insulation and attitude towards energy conservation. Older homes tend to have less insulation than new ones which conform to revised building codes and increased awareness of the need for energy conservation.

Energy conservation activity is positively correlated with HDD, attitude and awareness of the tax credit. It is negatively correlated with age of the home. This may be due to the fact that most new homes are sold with many of the features that comprise the "behavior" index.

### The Decision to Insulate

The first qualitative choice model used in this study was a probit analysis of the decision to insulate. The sample was segmented into just two parts: those with insulation and those without. Results are seen on Table 3, column 1. This analysis compares persons who have insulated with those who have not. For four of the eight independent variables, the insulator group is significantly different from the noninsulators (specific significance levels can be seen in Table 3). According to these results,

<sup>4</sup>As the negative sign on the HDD-CDD correlation of .43 implies we do not tend to see both extremes of climate in any region of California.



insulators have a higher level of energy conservation activity and are more likely to live in climates which have a large number of cooling degree days. The results also indicate that insulators are less likely to live in a climate with a high number of heating degree days. Insulators also tend to live in newer structures. No significant differences exist between the groups in regard to income, attitude, awareness of tax credit, and size of home.

TABLE 3. Probit and Logit Estimates of the Probability of Insulating

| Independent Variables              | Probit Estimates          | Logit Estimates           |                          |                           |
|------------------------------------|---------------------------|---------------------------|--------------------------|---------------------------|
|                                    | Insulators                | Insulation Group          |                          |                           |
|                                    |                           | R-11<br>(standard error)  | R-19<br>(standard error) | R-30<br>(standard error)  |
| Income                             | 0.0001254<br>(0.000008)   | 0.0000794<br>(0.00002)    | 0.000020<br>(0.00002)    | 0.000012<br>(0.00002)     |
| Heating degree days                | -0.0141**<br>(0.00809)    | -0.07206***<br>(0.00801)  | -1.23618**<br>(0.40788)  | -2.08506**<br>(1.18853)   |
| Cooling degree days                | 1.2786**<br>(0.31690)     | 1.61885***<br>(0.45272)   | 2.41699***<br>(0.40675)  | 2.67946***<br>(0.72468)   |
| Energy Conservation Attitude Index | -0.04764<br>(0.03821)     | -0.0944<br>(0.0386)       | -0.08462<br>(0.07170)    | -0.127908<br>(0.08896)    |
| Energy Conservation Behavior Index | 0.28214**<br>(0.051798)   | 0.367152<br>(0.10887)     | 0.547682***<br>(0.09867) | 0.418128<br>(0.12155)     |
| Awareness of tax credit            | 0.33505<br>(0.28710)      | 0.13442<br>(0.71180)      | 0.293248<br>(0.34107)    | 0.0486652<br>(0.78271)    |
| Size of home                       | 0.00023789<br>(0.0002353) | -0.000134<br>(0.00051)    | 0.000481<br>(0.00044)    | 0.000804<br>(0.00057)     |
| Year built                         | -0.14217***<br>(0.032865) | -0.245488***<br>(0.08731) | -0.29477***<br>(0.08218) | -0.353174***<br>(0.07092) |

\*Significant at .10 level  
\*\*Significant at .05 level  
\*\*\*Significant at .01 level

#### Level of Insulation Selected

In addition to knowing the factors which separate insulators from noninsulators, it is equally important to be able to predict the level of insulation which a particular household might have. This is a critical piece of information because, for example, persons with an R-11 level of insulation are likely to need, and want, additional insulation protection, whereas, someone who has already insulated to R-30 will be unlikely to be stimulated to insulate further regardless of how attractive the incentives offered by public policies. Segmenting by insulation group allows us to "target" particular households when formulating future policies.

The multinomial logit model allows for the estimation of a separate equation for each of three levels of insulation (R-11, R-19 and R-30). With this specification, a set of coefficients is estimated for each level of insulation. These coefficients compare persons with a given level of insulation to the group with no insulation. Thus, we have three vectors of coefficients listed on Table 3. This analysis is similar to that which was done in the previous section, only in this analysis, each level of insulation was considered separately.

Results parallel those from the probit analysis closely. For R-19 and R-30, four out of the eight coefficients are significantly different from those of the R-0 group. Five are significantly different for the R-11 group. Only the R-11 group had higher income than the noninsulator group. All groups lived in climatic regions which have fewer heating degree days but more cooling degree days than areas in which noninsulators live. While, contrary to expectations, all groups had lower attitude scores than the noninsulators, none were significant. All groups did, however, have behavior index scores which were significantly higher than the base group. These differences tended to increase with higher insulation levels. None of the groups were more aware of the current availability of tax credits than the noninsulators.

The size of the homes of insulators was not significantly different from home size for the noninsulating group. However, the age of the home was significantly different for all groups. Further a trend can be seen in which newer homes have higher levels of insulation.

#### Predicting the Level of Insulation

As mentioned earlier, the ability to predict a household's level of insulation based upon a few pieces of information is an invaluable policy tool. To evaluate the predictive powers of this particular set of variables, the logit analysis was rerun after 23 cases had been randomly deleted from the original sample. The coefficients from this subsample were compared to the original sample to ensure that they were not significantly different. The probability of insulating to each of the four insulation levels was calculated for each of the 23 deleted cases. A criterion of "highest probability" was set to evaluate the predictive capacities of the equation. As seen in Table 4, the model correctly placed 12 of the 23 cases, or slightly more than 50 percent. A completely random model would predict correctly only one-quarter of the time so this equation represents an improvement over a random predictor. Further refinement of the equation is needed in order to obtain a set of variables that places more of the cases accurately.

TABLE 4. Comparison of Insulation Level Predicted by Multinomial Logit Equation to the Actual Level of Insulation

|           |      | Actual |      |      |      |
|-----------|------|--------|------|------|------|
|           |      | R-0    | R-11 | R-19 | R-30 |
| Predicted | R-0  | 0*     | 2    | 2    | 0    |
|           | R-11 | 0      | 0    | 0    | 0    |
|           | R-19 | 1      | 3    | 12   | 3    |
|           | R-30 | 0      | 0    | 0    | 0    |

\*number of cases in each cell

### Summary and Conclusion

The factors which predict investment in energy-conserving capital goods can be tested with a probabilistic equation using logit or probit analysis. The ability to predict influencing variables accurately facilitates both program planning and policy analysis. While the model tested here represents a substantial improvement over random placement, the model can be even further refined.

The factors which seem to affect the insulation decision most dramatically in this set of variables are climate, a high level of other energy saving behaviors and age of home. Contrary to expectations, financial variables such as income, awareness of tax credits and size of home (large homes are more expensive to heat and cool) were not important factors distinguishing insulators from noninsulators. Climate is out of the policymaker's control as is age of the housing stock. However, the latter provides some hope for the future. As more new homes are added to the country's stock of houses, the average level of insulation will also increase. The only significant variable over which policy makers do have some control is the level of other energy-saving activities. If people can be encouraged to undertake other energy-conserving behavior, they are likely to undertake insulation as well. The task of educating the public to the value and means of energy conservation is paramount.

### Abstract

This paper will examine five areas of suggested reform of the 1938 bankruptcy law expressed by two studies prior to the actual 1978 reform in the act. The areas will be examined in light of the law practiced from Oct., 1979 through 1981. The five areas of concern will be discussed in terms of current procedures and the effectiveness of the law as a consumer solution for severe debt situations.

The Bankruptcy Reform Act of 1978 received impetus for its drafting and passage from the Institute for the Future, Menlo Park, California, and Massachusetts Brookings Institute studies of the 1938 bankruptcy law (8, 13). These early 1970's studies made numerous recommendations for the code that was passed in 1978. This paper will examine five concerns expressed in both studies in light of the 1979 bankruptcy law, and its practice from October 1, 1979 through 1981. The areas are: (1) the need for simplification of the law, its procedures and accessibility to consumers; (2) the need to add uniformity to exemptions and the interpretation of their application; (3) the need for control on creditor reaffirmation, repossession and stronghold on secured debt; (4) the need to establish equitable repayment programs for debtors; and (5) the need to establish rehabilitative counseling for debtors. These five areas will be discussed in terms of current procedures and the effectiveness of the law as a consumer solution for severe debt situations.

### The Need for Simplification of the Law, Its Procedures and Accessibility to Consumers

Records from the Division of Bankruptcy of the Administrative Office of the United States Courts show that for ten years prior to the reform act, bankruptcy figures fluctuated in the range between 175,000 and 250,000 (1). In 1980 and 1981 bankruptcies soared to 409,800 and 452,732 filings respectively (Figure 1). At first glance the drastic increase in filings appears to substantiate the consumers' need for the new act (Figure 2). However, in addition to the passage of the new law several other factors led to the high bankruptcy rate including the poor economic climate particularly in the industrial section of the economy, greater knowledge of the law through media publicity, aggressive marketing and advertising on the part of lawyers, and the changing attitudes toward bankruptcy on the part of consumers (3).

Many administrative procedures have been simplified

such as a court trustee handling supervisory functions instead of the judge. The bankruptcy judge no longer takes an active role in the administration of the case until the final determination, freeing up court time and easing the handling of cases. As of April, 1984, bankruptcy judges will be appointed by the President, confirmed by the Senate and have terms of fourteen years giving added consistency to court proceedings (2).

One procedure not simplified, however, is the need for legal counsel. Although not required by law, legal counsel is an almost absolute necessity when filing bankruptcy since both Chapter 13, Debtor Rehabilitation proceedings and Chapter 7, Straight Bankruptcy, are lengthy, complex and when not properly executed work to the detriment of the consumer. Because the code placed few restrictions on legal fees, a competitive legal market is encouraged. Fees are often incorporated into settlements making it easier for the debtor to pay, but sometimes obscures the cost of the procedure.

Figure 1

| Consumer Bankruptcies |              |
|-----------------------|--------------|
| Fiscal Year           | Bankruptcies |
| 1971                  | 182,249      |
| 1972                  | 164,737      |
| 1973                  | 155,707      |
| 1974                  | 168,767      |
| 1975                  | 224,354      |
| 1976                  | 211,348      |
| 1977                  | 182,210      |
| 1978                  | 172,423      |
| 1979                  | 196,976      |
| 1980                  | 314,875      |
| 1981                  | 452,732      |

Source: Division of Bankruptcy of the  
Administrative Office of the  
United States 1982.

One feature of the law, in particular, gives immediate consumer relief, that of automatic stay. As soon as the bankruptcy petition is filed, no further collection activity of any kind may be conducted against the debtor or debtor's property. The automatic stay provision removes the stress caused by continuous creditor contact and prohibits creditor telephone calls, letters, court summons, repossessions, utility cut offs and mortgage foreclosures (12). The 1979 bankruptcy code does appear to have accomplished the need for accessibility to consumers and at least some simplification of the law and basic procedures.

<sup>1</sup>Marilyn Gunther, Director of Education & Research  
Credit Counseling Centers, Inc. in Michigan

### The Need to Add Uniformity to Exemptions and Interpretations of Bankruptcy Applications

Under the present code, the debtor filing Ch. 7, Straight Bankruptcy, can choose state or federal exemptions however, both may not be included in a single petition. In the case of a joint petition, one spouse may choose state exemptions, while the other spouse federal exemptions, thus enjoying the benefits of both. As a general rule, the federal exemptions are far more liberal than most state exemptions. Some states also have laws to protect the homestead and certain other property when held in joint ownership.

Property exempted is retained by the debtor free and clear of the claims of the trustee and of any creditors who do not have a security interest in the property. Federal bankruptcy exemptions include up to \$7,500 equity in a home and burial plot, up to \$1,200 equity in a motor vehicle; up to \$200 per item in household goods, furnishings, clothes, appliances, books, animals, crops or musical instruments; up to \$500 worth of jewelry; up to \$400 in personal property, applied any way the debtor chooses; up to \$750 worth of implements, books, or tools of the trade; up to \$4,000 cash value of life insurance policies; the right to receive social security, welfare, unemployment, illness payments, alimony and similar payments and certain other benefit programs. For married couples both filing, these exemptions are doubled. The law also allows equity from exemptions to be applied to other property owned by the debtor.

This liberalization of exemptions is one area creditors would like to see changed. At the present time, it is estimated that in 90% of straight bankruptcy filings, all assets are retained by the debtor (4). When only non-exempt property is used to pay the creditors, the creditors may get little or nothing at all.

Exemptions can be a two-edge sword, however. On one hand, liberal exemptions allow a debtor to recover financially giving rise to the label a "fresh start" law. On the other hand, liberal exemptions may encourage debtors who might otherwise work out their financial problems to take the easier and less painful road, that of declaring bankruptcy. The fact that anyone can file bankruptcy coupled with the fact that there are no specific guidelines to determine need, such as income or income debt ratios, bankruptcy does appear to be an appealing solution to many debtors. In a study done by Brimmer and Company, half the respondents who filed bankruptcy had not sought credit counseling services before filing bankruptcy even when the services were available (5). The Brimmer study does not indicate if the debtors were aware of the services, however.

Creditor groups in approximately 32 states have been instrumental in reestablishing state ex-

emptions to take precedence over federal exemptions. The success of this effort is due in part to the staggering financial losses suffered by creditors (7). While losses due to bankruptcies formerly hit hardest on small businesses and debtors themselves, in 1980, creditor losses were conservatively estimated at three billion dollars, and 1981, six billion dollars and affecting a broad range of creditors (9).

Readopting state exemptions per se has serious drawbacks. If state exemptions are not updated they are often inadequate, inappropriate and provide little relief for the debtor. The uniformity of exemptions so sought after by the designers of the code will also be lost.

### The Need for Control on Creditor Reaffirmation, Repossession and Stronghold on Secured Debt

The need for control on creditor reaffirmation, repossession, and stronghold creditors had on secured debts were areas cited by both the Menlo Park and Brookings study as highly abused under the old law and important due to consumer vulnerability in these areas. The new code addresses these areas and provides consumer protection.

Reaffirmation, an agreement by the debtor to pay a debt which otherwise would be unenforceable because of the bankruptcy, is not valid under the 1978 code unless made before the discharge hearing and approved by the bankruptcy court. Even if the court approves a reaffirmation, the debtor has the right to cancel within 30 days after court approval. If it is not canceled, the reaffirmation becomes fully binding and can be collected like any other debt. The provisions regarding reaffirmation have been stringently enforced by the courts as a necessary consumer protection, drawing complaints from creditors that courts will not allow consumers to reaffirm debt obligations. One change creditors would like to see is abolishing the court approval of reaffirmation while retaining a 30 or 60-day cancellation period.

After the bankruptcy discharge hearing, a creditor may make no attempt whatever to collect a discharged debt from the debtor, unless it was validly reaffirmed. However, this does not prevent the creditor from reporting the loss to a credit reporting agency in addition to the bankruptcy notation. In Ch. 7, Straight Bankruptcy, the discharge of a debt does not prevent the creditor collecting from co-signers, unless the co-signer has also filed bankruptcy. A reaffirmation would definitely benefit a co-signer, although not always the debtor. In the case where the co-signer is the debtor's wife, she may be protected from collection of the debt by state law.

Once the bankruptcy petition has been filed, repossession is no longer possible as a creditor



right. In some cases, repossession can be used to pay the non-exempt portion of an item. As a response to this provision, many lenders are requiring all loans be attached to collateral. This practice will limit credit availability to wide segments of society particularly the young and lower income borrower (11).

Creditors question whether the new law tips the scale too far in the direction of the consumer, upsetting the delicate balance between consumer and creditor rights and responsibilities. Other bankruptcy experts would argue that the initial period of the new law yields insufficient evidence due to the poor economic climate.

#### The Need to Establish an Equitable Repayment Program for Debtors

Chapter 13, the Wage Earner Plan, under the 1938 law was narrow in scope and little used. Both the Menlo Park and Brookings study recommended strengthening that aspect of the law in order to allow consumers to repay all or part of their debts under a court supervised plan. Many bankruptcy attorneys now regard Ch. 13, the Debtor Rehabilitation Proceeding, as the essence of the law applicable to a wide range of consumers.

Chapter 13 is available to anyone who has regular income if they have unsecured debts of less than \$100,000 and secured debts of less than \$350,000. Debtors are allowed to keep all or most of their property. A portion of the debtor's paycheck is turned over to the court and then disbursed to creditors according to a Plan filed by the debtor.

The key element of a Ch. 13 proceeding is the Plan. The debtor's obligations are classified as secured and unsecured. With respect to secured claims, the plan must provide for either (1) the secured claim as part of the plan, or (2) the surrender of the collateral to the secured party. Debtors whose income is insufficient to repay their obligations within the usual 3 to 5 year period of the Plan can offer a composition plan, a proposal to pay a percentage of the unsecured debts (12). Creditors with secured claims may accept a Plan which provides for less but are not obligated to do so. In the case of unsecured claims (credit cards, signature loans) creditors will for the most part have to accept what they can get. Many bankruptcy courts set, by practice, minimum amounts acceptable, some as low as 1%. In Michigan, for example, unsecured creditors generally receive no less than 25% of the amount owed.

If the debtor completes the Plan as agreed, the balance of the debts involved are discharged. If the debtor makes a good faith effort, paying 70% of debts, but falls short of the plan, the court may grant a discharge of all debts. If the debtor does not complete the Plan as agreed, the Court may permit a modification of the Plan, or it may

grant a "hardship discharge" if the debtor has made a good faith effort and creditors have received at least as much as they would have in a liquidation proceeding. Once the debtor has completed the Plan as agreed, the debtor is entitled to keep all property and will receive a discharge that is even broader than under straight bankruptcy. In addition, such a debtor does not need to wait six years before seeking relief again under the 1979 law, either to file straight bankruptcy, Ch. 7, or another Ch. 13.

From the creditor's perspective, there are several problems with Ch. 13 including the inability of creditors to approach co-signers of loans while a Ch. 13 Plan is in effect, the lack of a legal definition of a "good faith" plan (this is currently tied up in litigation), and the lack of preference payment given to secured creditors. The last item refers to the fact that the same percentage of payment is made to all secured creditors regardless of the amount of the outstanding obligation.

Although generally in favor of Ch. 13 as a solution for severe debt situations, consumer advocates would opt for more counseling and educational assistance to be given debtors expected to live on a restrictive budget. As it stands now, the attorney's responsibility ends when the Plan is filed leaving debtors to simply "make do" as best they can.

#### Debts Paid Out of Future Income

Establishing a repayment program for Ch. 7, Straight Bankruptcy has been a concern inherent in bankruptcy discussions. The creditor argument is in essence that credit is granted on future income, therefore, debtors who receive reasonable relief from debts through bankruptcy should pay a portion of debts out of future income (10). The question of capability arises here and is spotlighted due to the characteristics of the new debtor.

In the Brimmer study 1,300 bankrupt respondents illustrated that bankrupts are young -- 57% are 34 years old or less -- and better educated than the average. A significantly large portion of the bankrupts had attended high school or college. Slightly more than half were blue collar workers (6). The study done at the Credit Research Center at Purdue University on bankrupt consumers found that 72% of the males who declared bankruptcy held full time jobs. The conclusion these researchers are making is that a significant number of debtors (as high as 40%) are debtors who could pay debts out of future income. The reasons why a person filed bankruptcy has not been carefully analyzed. Inability to repay debts may be due to personal crisis situations such as divorce, separation, serious illness, death or substantial reduction in income. It would appear that discussion of modifications in the law should take into account these elements.

## The Power of the Credit Record

One aspect of bankruptcy often overlooked by creditors is the lasting effect of bankruptcy on the credit record. Although creditors cannot discriminate from one bankrupt consumer to another, they can tighten their credit granting criteria, thus eliminating persons who have gone bankrupt from receiving future credit.

Consumers contemplating bankruptcy rarely consider the consequences of this action and, unfortunately, are not always informed by their bankruptcy attorneys. The fact that a person filed bankruptcy will stay on the credit record for ten years in most states and will be reported to anyone who has legitimate access to the credit record.

According to the Fair Credit Reporting Act, the fact that a person has filed bankruptcy can be given out forever in certain situations such as:

- . applying for a job paying over \$20,000
- . applying for life insurance with a face value over \$50,000
- . applying for a mortgage or other loan over \$50,000

Although consumers may have in the short run, a sense of relief in being rid of debts and creditor calls, in the long run it could mean the inability to obtain valued goals of houses or cars through use of credit.

The real significance of the credit record report for the bankrupt consumer will be determined by creditor action. As long as consumers are convinced, as they are now, that bankruptcy has little effect on a person's ability to get future credit, the credit record will not be a deterrent to those considering filing. As long as creditors loosen up on credit granting practices for bankrupt consumers during good years, the record will have little impact. Used responsibly by consumer and creditor, the credit record has the potential for discouraging bankruptcies that may have alternative solutions.

### The Need to Establish Education and Rehabilitative Counseling for Debtors

The need for education and rehabilitative counseling for debtors was stressed in both the Brookings Institution and Menlo Park studies. Although progress has been made toward achieving the other four needs discussed in this paper, virtually no progress has been made toward this goal nor do creditors seem to see this as a solution to present and future bankruptcies. In Ch. 7 Straight Bankruptcy, no effort is made toward education or counseling during or after the discharge. It would appear that debtors filing Ch. 13 would receive counseling. However, other than setting up a budget or plan required by the law, attorneys rarely give rehabilitative counseling beyond ad-

ressing the immediate legal concerns.

Both the Brimmer study and the earlier Brookings study cite job loss, divorce, credit overextension and inflation as causes for bankruptcy. Both studies stress, however, the single most over all cause is the inability of consumers to handle debt. Although the new code has not been in effect long enough to determine its lasting impact, it would appear that because of the latter reason conversion from Ch. 13 to Straight Bankruptcy plus repeated filing of bankruptcy every 6 years might be anticipated.

In a recent review of its records, Credit Counseling Centers, Inc. of Michigan noted that during the past two years of high bankruptcy rates, the referrals from creditor groups had not changed with one notable exception, banks. Although most creditors in the state support the non-profit Credit Counseling Center services, the banks in the Detroit metropolitan area also support a supplemental educational program. Through this program banks receive financial crisis information that, in some cases, led to the formation of a counseling effort with bank customers that appeared to be experiencing financial difficulty. The largest bank reported counseling with 600 of its customers within a six-month period while also increasing their referrals to Credit Counseling Centers.

Whether tied to a community credit counseling service or attached to the bankruptcy process itself, money management education and rehabilitation appear to be a necessary component to a liberalized bankruptcy law. Without it, a cyclical pattern of bankruptcy may be inevitable. And without it, tighter bankruptcy laws may reduce the incidence of bankruptcy, but not solve the problem.

### Summary

The new bankruptcy code goes a long way in addressing five areas of concern expressed by the Brookings and Menlo Park studies with the exception of the last need, that of rehabilitative counseling and education. However changes in the law coupled with poor economic times have encouraged increased filings causing high dollar losses for creditors. This has led to recommendations for reforms in the law.

The law does appear to be a consumer solution for severe and some not so severe debt situations, but misuse may be endangering these benefits. Misuse of the law could be discouraged by attorneys and creditors offering alternative solutions to bankruptcy and stressing the detrimental effect of bankruptcy on the credit record. Trustees of the court can also discourage misuse of the law by cautious interpretation of the law. Care needs to be exercised that proposed reforms do not negate the positive benefits from the code, keeping in mind the purpose and need for bankruptcy legislation in the first place.

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## "Is Whole Life Insurance A Viable Consumer Product?"

by

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Change is all about us. The volatile and uncertain economic circumstances that surround us raise doubts about almost everything. In such circumstances, there are always opportunists who attempt to take short term advantage of uncertainties. The life insurance business is no exception to these general characteristics.

Let me insert three fairly simple definitions at this point. Nonparticipating whole life features a level premium and a level death benefit, both guaranteed for life: very simple, easy to understand, nothing changes, no options, except to stop paying premiums. In that case there are guaranteed cash values and paid-up insurance benefits, the size of which depends on how long premiums have been paid. Participating whole life is quite similar in concept, except the level premium is higher, in return for which the company returns to the policy-holder the earnings it receives derived from the difference between the company's actual mortality, expense and investment experience, and the guaranteed level for those three factors contained in the policy. These returns are called dividends and can be used by the policyholder in several ways, about which I will say more in a few moments. These are the basic standbys of the past and the present. Of course, there are many variations in the marketplace.

The new kid on the block is Universal Life. It, too, has some variations, but is basically a combination of term insurance and an accumulation account of some kind. Typically, the total death benefit is either a fixed, level amount, including the value of the accumulation account, or a specific amount such as \$10,000, in addition to the value of the accumulation account. Premiums are expected to be level, but the policyholder is quite free to increase, decrease or cease deposits into the accumulation account. The term insurance is paid for out of premiums, or the accumulation account, so long as either is sufficient to pay the then due charge. I'll say a little more about Universal Life also a little later.

For the past several years there has been a mounting chorus of attack on the past. Mr. MacDonald's company, the ITT Life Insurance Company, is only one of many engaged in this cacophony of sound. However, it is quite typical, so I will, for the most part, use ITT Life and its statements as typical of what is going on.

"Whole life no longer makes sense", "your whole life policy . . . yields a miserably poor return . . .", "whole life insurance is outdated, over-rated and ill-fated . . .", "we have completely

rated and ill-fated . . .", "we have completely stopped selling whole life insurance", ". . . replace your whole life policy . . ." These are quotations from ITT Life's advertising.

I understand that Mr. MacDonald is in a uniquely good position to know that the traditional non-participating products issued by his company are not providing fair value. However, his generalization that the whole life insurance products issued by my company, and other fine companies, are also not providing fair value, is unwarranted and irresponsible. To my knowledge, there has been no examination of my company's operations and practices by any representatives of ITT Life.

I would like to get at this subject from two different directions. First, I would like to make a few comments about what my company is doing today, both for new business and for our old policyholders. Then I would like to make some comments on certain key characteristics of the current marketplace for life insurance.

### Traditional Products for New Business

The Northwestern Mutual introduced a new set of products on January first of this year. While encompassing more change than we have ever accomplished at one time before, these products are strictly in the traditional mold. Plain old-fashioned participating whole life insurance is there, among a great many other products as well. One of the key characteristics of the way we do business is that we treat all policyholders alike. One of the points that focuses on is that the investment earnings that are credited to policyholders are derived from our overall average portfolio. That is being roundly criticized by some today on the grounds that new policyholders are buying in to an established large portfolio that has an average yield substantially lower than current new money rates. More about that in a moment.

We have many new and exciting features in our policies. An example is a rider that is available under which the face amount and the premium of the policy will respond over the next ten years to changes in the Consumer Price Index, with some outside limits. We have a new, very low premium, level premium term insurance plan that by the application of a particular dividend option becomes paid-up life insurance at age 65 or at the end of 20 years, if later.

There is an old expression, "The proof of the pudding is in the eating." We are finding insurance buyers nationwide to be most receptive.



Sales are up over 30 percent for the first three months of this year, and new premiums are up 25 percent. The biggest seller? Old-fashioned participating whole life insurance.

During 1981 we paid over 20,000 death claims. The average policy duration at death was something like 34 years. We sell life insurance for the long pull. We have no trouble explaining the relationship between the long pull and the current short term emphasis. Our sales results exemplify that.

#### How Are Old Policyholders Faring?

How are old policyholders faring? A \$10,000 whole life insurance policy issued to a male age 35 20 years ago cost about \$250 a year. If the dividends on this policy were used to purchase paid-up additions, that is little bits of additional insurance, which most of our policyholders do, the face amount is \$14,400 in 1982 and the 1982 dividend is over \$300. In fact, the dividend has been larger than the premium for three years. One of the other key features of this 20 year old policy is that it has a 5 percent policy loan provision. Yes, that's right, the policyholder can borrow against the cash value at 5 percent. I am sure you are not surprised to learn that a great many policyholders have done so. And yet, we are crediting interest to the cash value on that policy, whether it is borrowed or not, at a rate significantly in excess of 5 percent. The policyholder borrows at 5 percent. The interest is tax deductible. If he is in a 50 percent tax bracket, it costs him 2 1/2 percent. Yet in the dividend we are crediting all of these policyholders something in excess of 5 percent. That is not taxable if the policy is held to maturity as a death claim. This is the bad deal, the dinosaur policy, that Mr. MacDonald and his company are urging all of our old policyholders to get rid of.

But wait a minute. In 1977 we offered most such policyholders an opportunity to amend the policy loan rate from 5 percent to 8 percent. What was in it for them? Significantly higher dividends. In 1980 we made an offer to all policyholders to change the underlying contractual reserve basis to make the policy more tax effective. What they got for this was an average 15 percent increase in insurance, without evidence of insurability or increase in premium, and also better value.

Now to go back to our \$10,000 policy issued 20 years ago, if that individual accepted both of these offers, the 1982 face amount is about \$18,500, over \$4,000 more than for those who didn't accept either offer; the dividend is now over \$360, \$53 more. The average compound increase in the face amount of this policy over the past six years has been over 7 percent. We have always had the practice at Northwestern of offering new features to old policyholders, whenever it is possible. These offers remain open.

We are now hard at work at a new UPDATE offer in order to bring some more new ideas to our older policyholders. The details haven't been finalized yet, they will be within the next few weeks. Again, the purpose will be to offer new, more value-producing features to our old policyholders.

For those of you who may be into the more technical analysis of insurance products, with our new UPDATE offer, the internal rate of return on an old policy, as I have described it, will be something on the order of 9 percent or more. Remember, if the policy is held until death, that is an after-tax rate. We don't think that's too shabby a deal that is available to all of our two million old policies. Again, these are the old dinosaurs that Mr. MacDonald and others like him are loudly proclaiming everybody should dump in order to buy the new whizbang. You should also remember that the high interest rates advertised for Universal Life are not internal rates of return, which are lower.

What is the point of all this? Traditional participating life insurance need not be, and in fact is not, outmoded. It has been getting a bum rap. Surely there are life insurance policies out there that are not being updated and kept up to date. However, I can just as surely testify to you that we at Northwestern are not alone in our commitment to providing top value over the long pull to all policyholders. Quite a number of other companies are in the process of implementing programs similar to ours.

#### Key Features in the Current Marketing Scene

Now I would like to talk for a few minutes about three key features of the current marketing scene for life insurance; interest rates, flexibility, and finally a little bit about the replacement of inflexible insurance policies.

#### Interest Rates and the Economic Environment

Typically, the new products we are seeing today (most prominently Universal Life like ITT's) focus on high current interest rates. The idea is simple. Start anew, either by using a special sophisticated investment year method of allocating investment returns, or by simply being a new company. Some companies use a middle ground, that is, they don't form a new company, or even use an investment year method; they simply draw a line and block off all old business and start afresh with a new product. In the past two years the investments under these products have significantly emphasized short term investments. In a number of recent months, we have had what the investment people call an inverse yield curve; that is, short term investment returns exceed long-term investment returns. This is a phenomenon that we have seen very little of during this century.

Next, sales illustrations for very long periods are compared directly—without explanation—to

the illustrations prepared for traditional products like ours which use an overall average portfolio investment rate. If you will think about it a moment, you will realize that the new product illustration implies the indefinite continuation of current high yields. On the other hand, the traditional product illustration implicitly assumes that new investments will be made in the future at the current average portfolio rate. In these times of rather large volatility in investment rates, the current differences between new money rates and average portfolio rates can be quite large. You must keep in mind that neither of these sales illustration techniques constitute best estimate projections of what future results may actually be. No, they are simply mathematical iterations of whatever the current experience is. But, as you can see in the situations I have just described, it is certainly an apples to oranges comparison. If new investments continue to bring the current level of yields, overall portfolio rates will catch up within just a matter of a few years, because, of course, our new money investments are also being made at high yields.

In short, failure to explain these fundamentally different interest assumptions in the respective sales illustrations encourages consumers to base important financial decisions on inadequate and inherently misleading comparisons.

#### Flexibility

The flexibility of Universal Life is often contrasted with the inflexibility of traditional products. This is implied wrong. Universal Life, while flexible regarding the addition, reduction or cessation of payments to the investment fund, is remarkably inflexible with regard to actual death protection. Traditional participating life insurance products, such as whole life insurance, while less flexible in changing the relationship between risk and accumulation, are remarkably flexible overall--because of dividend options and other policy features.

One example will suffice. Today, a \$100,000 face amount traditional participating whole life policy issued by my company to a male age 25 years will cost him \$1,164 a year, if he is in good health and doesn't smoke. The face amount of that policy will increase by age 65 under our current dividend scale to something between \$100,000 and \$500,000, depending on how the policyholder chooses to use his dividends each year. If new investments continue at today's level, the face amount at age 65 could range from \$100,000 to almost \$1,000,000. Now, you and I fully realize that if investment rates remain indefinitely at their current levels, one of the prices we will pay is an ongoing significant level of inflation. Quite frankly, we consider this an exceedingly unlikely scenario, but it is a way to make apples to apples comparisons. Going on, at age 65 under our whole life insurance policy, about 40 percent of the face amount is net amount at risk; thus, if the face amount

is \$1,000,000, the net amount at risk is \$400,000. Remember, in the first year it was \$100,000. For that growth in net death risk, most Universal Life contracts require frequent evidence of insurability and new front end expense loadings. Traditional participating whole life requires neither. So much for flexibility.

#### Federal Income Taxes

Currently, companies pay little or no federal income tax on these new products, either because the companies are brand new, or because they assume that no taxes will accrue under these new products in the future. Most traditional participating contracts are issued by companies whose current dividend scales are based on significant federal income tax levels. Unless such a wide disparity persists indefinitely--an unreasonable assumption--companies which issue the new products will find their actual results not looking as good as their illustrations as they pay their taxes. Maybe we might be comparing apples to apples in this area before long.

#### Summary of Current Marketplace

To summarize: the apparent sales illustration's superiority of these new products is based on illusion and apples to oranges comparisons. Their advantages are overemphasized and the favorable features of traditional products are under-emphasized and even denied. The two are compared unfairly.

#### Replacements

In spite of the apples to oranges aspects of the illustrations and marketing techniques currently in use, we have little or no difficulty explaining the virtues of our products to prospects for new sales. However, it is a somewhat different story with regard to some of our inforce policyholders, who may not have paid attention to their insurance recently and thus may not know how well it is performing. It is these people that can be relatively easily induced to make what we believe to be an invariably poor decision if they replace any of our inforce permanent insurance plans with one of the latest whizbangs.

It has always been appropriate to replace a policy when the new one will produce significantly better value. However, the extreme emphasis on replacements by companies who boldly identify all traditional policies as providing poor value is essentially destructive. It is providing a chapter in the history of life insurance which will not be viewed with pride by anyone. It is a bald and cynical exploitation of illusory appearances, which--at best--confuses consumers.

#### Summary Comments

These are uncertain and volatile economic times.

Will wide swings continue indefinitely, with each one reaching a higher peak? Will the volatility "plateau out" so that its peaks and valleys stay within the range of the past few years? Will we return to some semblance of stability? The traditional approach to life insurance will have increasing difficulty only if interest rates and inflation continue to escalate to successive new heights. But what segment of our society won't have increasing difficulty under those circumstances.

While the path to economic stability is far from clear, we have a growing awareness that we cannot and will not permit inflation and interest rates to continue their seemingly inexorable upward leaps. I am an optimist. I believe that the current short term expedience that characterizes much of the life insurance marketplace will wain. We will emerge a stronger, more flexible and more varied industry and continue to serve a wide variety of important consumer needs.



# REGIONAL DIFFERENCES IN CONSUMERS' STATEMENTS ABOUT BEEF

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## Abstract

Data from a USDA Consumer Survey of Attitudes and Preferences are used to analyze regional differences in stated use, changes in use, and attitudes about the use of beef. Regions differ in their income, education, and racial compositions. Regional differences exist within income, education, and racial groups for beef use and attitudes about use.

## Introduction

This paper examines regional differences in beef use, changes in use, and attitudes about the use of beef. It also analyzes whether the regional differences in responses are associated with differences between specific sub-populations defined according to race, income, and education.

A survey conducted by the Economics and Statistics Service of the USDA in 1980 serves as the data base for this study. Data obtained include frequency of use of 37 specific foods, changes in uses of 22 specific foods in response to health concerns, and attitudes about foods and components of foods (fat, nitrites, vitamins, etc.). Since the majority of consumers use beef but do not produce it themselves, this analysis focuses on beef users who are also nonproducers. Beef is selected for study because the population of users is large and beef use is less responsive to climate and seasonal variations than many other products. Although relative prices of beef may vary among regions, price relationships are not considered directly in this paper.

## Research Design and Procedures

### Questions

The main question is whether regional patterns differ with regard to current household use of beef, recent changes in use for health or nutrition reasons, and attitudes about health aspects of beef. A second question is whether socioeconomic variables other than regional matter. For example, if the use of beef differs by region and by income group, are regional differences in beef use because the proportions of households in each income group differ by region and income influences purchases? Similarly, how does education affect changes in use and are education groups consistent in their stated behavior across regions? Attitudes and behavior may also differ between racial groups. Other differences in at-

titudes and/or behavior may also occur as a result of racial differences.

Therefore, the main concern of this paper is whether regional differences mask effects of other socioeconomic variables on attitudes and behavior. Regional differences may exist within sub-populations. However, region may emerge as a convenient summary variable for factors that are less easily identified such as cultural values concerning health and foods.

## Sample Characteristics

The households represent a statistical sample of the population living in the contiguous 48 states and the District of Columbia. The weighted total number of households is 1,942. Each household received a calculated weight, based on demographic information. Sampling weights assigned to households adjust for differences in interview completion rates at various sites. Results presented in this paper refer to weighted data.

Excluding households that do not use beef and do not produce beef leaves a weighted sample of 1,849 households. This sample is the basis for the following analyses.

The households are unevenly distributed across regions with 27 or 28 percent in the Northeast (NE), North Central (NC) and South (S), but only 17 percent in the West (W) (Table 1). Regions

Table 1. Distribution of households by region and race, education, and income group.

| Characteristic       | Number of Households <sup>2</sup> | Region |     |     |     | X <sup>2</sup> |
|----------------------|-----------------------------------|--------|-----|-----|-----|----------------|
|                      |                                   | NE     | NC  | S   | W   |                |
| All households       | 1849                              | 29%    | 28% | 27% | 17% |                |
| Race                 |                                   |        |     |     |     | .01            |
| White                | 1504                              | 84     | 87  | 74  | 80  |                |
| Nonwhite             | 338                               | 16     | 13  | 26  | 20  |                |
| Education            |                                   |        |     |     |     | .01            |
| Less than HS diploma | 525                               | 22     | 31  | 37  | 23  |                |
| High school graduate | 667                               | 43     | 39  | 31  | 29  |                |
| Some college         | 643                               | 35     | 30  | 32  | 48  |                |
| Income               |                                   |        |     |     |     | .01            |
| Less than \$10,000   | 439                               | 24     | 27  | 36  | 31  |                |
| \$10,000-14,900      | 285                               | 19     | 19  | 20  | 17  |                |
| \$15,000 & over      | 769                               | 57     | 53  | 44  | 52  |                |

<sup>1</sup> Graduate student in Department of Economics and Business. Research was conducted at Economic Research Service, USDA.

<sup>2</sup> The number of households may not add to 1849 for all characteristics because of missing values.



differ in their racial, income, and education distributions. The chi-square statistic indicates significant associations between region and each of the socioeconomic variables. The percent of nonwhites (Blacks and Hispanics) living in the South is larger than in the other regions. A larger percentage of college educated persons live in the West and a larger percentage of those with less than a high school degree live in the South. The South also has the largest proportion of households with incomes under \$10,000. The Northeast has a larger proportion of higher income households than the other regions.

## Results

### Use Of Beef

More than two-thirds (70%) of the sample use beef more than once a week. Households in the North Central and Western regions are more likely to use beef more than once a week than households in the other two regions (Table 2).

Table 2. Frequency of use of beef by region and within income groups.

| Variable                 | Number of Households | Region |     |     |     | Total | X <sup>2</sup> |
|--------------------------|----------------------|--------|-----|-----|-----|-------|----------------|
|                          |                      | NE     | NC  | S   | W   |       |                |
| Nonproducers             | 1849                 |        |     |     |     |       | .01            |
| Once a week or less      |                      | 35%    | 25% | 34% | 26% | 30%   |                |
| More than once a week    |                      | 65     | 75  | 66  | 74  | 70    |                |
| Income under \$10,000    | 439                  | 23     | 26  | 32  | 19  | 100   | NS             |
| Once a week or less      |                      | 36     | 35  | 49  | 36  | 40    |                |
| More than once a week    |                      | 63     | 65  | 51  | 64  | 60    |                |
| Income \$10,000-14,900   | 285                  | 28     | 28  | 28  | 16  | 100   | NS             |
| Once a week or less      |                      | 40     | 23  | 11  | 26  | 33    |                |
| More than once a week    |                      | 60     | 77  | 77  | 74  | 62    |                |
| Income \$15,000 and over | 769                  | 30     | 29  | 22  | 18  | 100   | NS             |
| Once a week or less      |                      | 27     | 17  | 25  | 20  | 22    |                |
| More than once a week    |                      | 73     | 83  | 76  | 80  | 78    |                |

The proportion of households using beef more than once a week increases as income increases. Sixty percent of low income households use beef more than once a week, but 78 percent of households with incomes \$15,000 and over use beef more than

once a week. The relationship, between region and use of beef within income groups is not significant, even at the 5 percent level.

Subdividing the population into racial groups does not alter the result for the entire sample; that is, region and use of beef are associated within racial groups (Appendix A). Whites and nonwhites in the North Central and Western regions are more likely to use beef more frequently than once a week. Nonwhites in the Northwest, in particular, are less likely to use beef more than once a week.

Differences among regions are less significant within education groups, particularly high school graduates. Households that use beef more than once a week are most likely to have some college education and be located in the North Central region. Households that are least likely to use beef more than once a week have less than a high school education and reside in the Northeast. Education, however, is associated with income. The results for income groups are more consistent than for education groups, supporting theories that beef use is more related to income than to education, race or region.

### Decreased Use of Beef

Households also responded to questions about changes in use of food products because of health and/or nutrition concerns. They indicated whether they had changed their use of beef during the past three years because of these concerns. If they reported a change in use, they also indicated whether they had stopped using beef, were using the same kind or a different kind, and whether they were using less, more, or about the same amount over all types of beef. If they reported using a different type, they indicated the substitutions made. Beef substitutes included poultry, fish, vegetables, dry beans or seeds, and leaner beef. Only two percent said they are using more beef and less than two percent are using a different type. Therefore, this analysis examines only the decreases in use of beef compared to increased or unchanged use of beef.

A larger proportion of households in the West than in other regions decrease beef use, even though the Western households are more likely than households in other regions to use beef more than once a week. Education appears to be an important factor influencing changes in beef use (Table 3). College educated respondents in all regions are more likely than less educated respondents to report decreased use of beef. Respondents with some college education are more likely to say they decreased use of beef if they live in the West than in the other regions. This result may reflect a value judgment on the part of the better educated respondents that they should be decreasing use of beef rather than an indication of actual changes in their diets.

Table 3. Frequency of decrease in use of beef by region, education, and income group.

| Decrease in Use    | Number of Households | Region |     |     |     | Total | $\chi^2$ |
|--------------------|----------------------|--------|-----|-----|-----|-------|----------|
|                    |                      | NE     | NC  | S   | W   |       |          |
| All nonproducers   | 1849                 | 29%    | 28% | 27% | 17% | 100%  | .01      |
| No decrease        |                      | 85     | 84  | 87  | 72  | 83    |          |
| Decrease           |                      | 15     | 16  | 13  | 28  | 17    |          |
| Education          |                      |        |     |     |     |       |          |
| Less than HS       | 525                  |        |     |     |     |       | NS       |
| No decrease        |                      | 94     | 90  | 92  | 85  | 91    |          |
| Decrease           |                      | 6      | 10  | 8   | 15  | 9     |          |
| HS graduate        | 667                  |        |     |     |     |       | NS       |
| No decrease        |                      | 87     | 85  | 92  | 81  | 87    |          |
| Decrease           |                      | 13     | 15  | 8   | 19  | 13    |          |
| Some College       | 613                  |        |     |     |     |       | .01      |
| No decrease        |                      | 77     | 77  | 78  | 61  | 73    |          |
| Decrease           |                      | 23     | 23  | 22  | 39  | 27    |          |
| Income             |                      |        |     |     |     |       |          |
| Less than \$10,000 | 439                  |        |     |     |     | 100   | NS       |
| No decrease        |                      | 92     | 89  | 89  | 82  | 88    |          |
| Decrease           |                      | 8      | 11  | 11  | 18  | 12    |          |
| \$10,000-14,900    | 285                  |        |     |     |     | 100   | .01      |
| No decrease        |                      | 89     | 88  | 92  | 66  | 86    |          |
| Decrease           |                      | 11     | 12  | 8   | 34  | 14    |          |
| \$15,000 & over    | 769                  |        |     |     |     | 100   | .01      |
| No decrease        |                      | 81     | 78  | 80  | 65  | 77    |          |
| Decrease           |                      | 19     | 22  | 20  | 35  | 23    |          |

White households in the West are more likely than nonwhite households to say they decreased their use of beef. Among the whites, eighteen percent decreased use of beef, but about 30 percent of the white households in the West and only 13 percent of the white households in the South reported decreased beef usage. Among nonwhites, 13 percent of all households, 20 percent of Western households, 15 percent of Southern households, and only six percent of households in the North Central region decreased use. Although the proportion of nonwhite households that decreased use appears to differ by region, the association is not significant, possibly because actual numbers of nonwhites making changes is small, 43 overall and only four in the North Central region.

Income groups also differed from one another. The proportion of households decreasing use is larger for higher income groups. As incomes increase, more households in each region say they are decreasing use. Middle and high income households in the West are more likely to indicate decreased use of beef. Regional differences for the lower income group are not significant although the proportion of households in the West that decreased use is higher than in the other

regions.

The West appears to differ from the other regions in willingness to decrease beef usage in response to health and nutrition concerns. Whether Western households actually do change their behavior and why is not clear. Western households are also more likely to use beef more than once a week.

#### Feelings About the Amount of Beef Eaten

Respondents feel they should eat a different amount of beef even though they have not changed their use. The first attitudinal question analyzed in this study is whether the main meal preparer in the household feels she eats too much, too little, or about the right amount of beef. The question combines assessments of how much beef is appropriate and how much is eaten. Respondents might have insufficient incomes to purchase desired amounts of beef and perceive deficiencies in iron or protein. On the other hand, respondents may feel the amounts of beef they do purchase, whatever that quantity, is too much, given attitudes about animal fat, cholesterol, calories, or other chemicals in beef.

The responses to the attitudinal question differ by region. About 67 percent of all respondents feel they eat about the right amount, with more people in the Northeast and fewer in the West reporting that answer. More Western respondents feel they should eat less and more Southern respondents feel they should eat more beef than did respondents in other regions.

This result seems, in part, to parallel racial distributions. Nonwhites, except those in the Northeast, indicate they should eat more beef. Nonwhites in the West feel they should eat more beef while whites in the West feel they should eat less beef than they usually eat (Table 4).

The ability to purchase what a respondent considers the appropriate amount of beef may influence whether she believes the amount eaten is too much, too little or about right. The results for the race groups may indicate perceived differences in needs for beef or abilities to purchase desired amounts. Nonwhites may purchase less than they feel they need while whites, typically with higher incomes, purchase more than health or nutrition concerns would indicate. Fewer whites, in all regions, feel they should eat more beef.

Regional differences are very slight within the higher income group. Slightly more respondents in the West still feel they should eat less beef.

Feelings about the amount of beef eaten also vary with education groups (Appendix B). Households with less than a high school education, particu-

larly in the South and West, feel they should eat more beef. High school graduates in the Northeast and North Central regions feel they ought to eat less, while graduates in the South and West want more. College educated respondents, particularly in the West, feel they should eat less beef. Other college educated respondents are most likely to be satisfied with their use of beef.

Table 4. Distribution of feelings about the amount of beef eaten by region and race.

| Variable         | Number of Households | Region |     |     |     | Total | $\chi^2$ |
|------------------|----------------------|--------|-----|-----|-----|-------|----------|
|                  |                      | NE     | NC  | S   | W   |       |          |
| All nonproducers | 1793                 | 29%    | 28% | 26% | 17% | 100%  | .01      |
| Eat more         |                      | 6      | 14  | 18  | 12  | 12    |          |
| Eat less         |                      | 21     | 20  | 18  | 26  | 21    |          |
| About right      |                      | 73     | 66  | 64  | 62  | 67    |          |
| Race             |                      |        |     |     |     |       |          |
| Whites           | 1468                 | 29     | 30  | 24  | 17  | 100   | .01      |
| Eat more         |                      | 5      | 12  | 15  | 7   | 10    |          |
| Eat less         |                      | 22     | 21  | 17  | 28  | 22    |          |
| About right      |                      | 73     | 67  | 68  | 65  | 68    |          |
| Nonwhites        | 318                  | 25     | 20  | 36  | 18  | 100   | .05      |
| Eat more         |                      | 13     | 28  | 29  | 33  | 26    |          |
| Eat less         |                      | 16     | 11  | 17  | 19  | 16    |          |
| About right      |                      | 72     | 61  | 53  | 48  | 58    |          |
| Income           |                      |        |     |     |     |       |          |
| Under \$10,000   | 421                  | 22     | 26  | 33  | 19  | 100   | .01      |
| Eat more         |                      | 6      | 23  | 27  | 22  | 20    |          |
| Eat less         |                      | 17     | 9   | 10  | 15  | 12    |          |
| About right      |                      | 77     | 69  | 63  | 63  | 68    |          |
| \$10,000-14,900  | 273                  | 28     | 27  | 28  | 17  | 100   | .05      |
| Eat more         |                      | 8      | 19  | 24  | 6   | 15    |          |
| Eat less         |                      | 14     | 15  | 15  | 25  | 16    |          |
| About right      |                      | 80     | 65  | 61  | 69  | 69    |          |
| \$15,000 & over  | 757                  | 31     | 28  | 22  | 19  | 100   | NS       |
| Eat more         |                      | 6      | 8   | 9   | 4   | 7     |          |
| Eat less         |                      | 26     | 27  | 25  | 31  | 27    |          |
| About right      |                      | 68     | 65  | 66  | 65  | 66    |          |

There are numerous possible reasons for these results. The ability to purchase the desired amount of beef may influence the perception of the respondent about the amount eaten. Preferences for beef, nutrition, and health information about beef, and personal physical needs for protein, iron, and fat may affect evaluations of diets. This study does not attempt to analyze which changing attitudes about beef are more influential, what amounts of beef are consumed, or whether attitudes or abilities to purchase beef are more important. It is possible to conclude that regional differences exist mainly because attitudes, education, and income do seem to differ by region.

## Attitudes

Another set of questions in the survey concerned evaluations of the healthfulness of fat and animal fat (Table 5). Most households agree that eating some fat is necessary for good health and that eating less animal fat can reduce the risk of heart problems.

Table 5. Distribution of responses of attitudinal questions by region.

| Question                                                      | Number of Respondents | Region |     |     |     | Total | $\chi^2$ |
|---------------------------------------------------------------|-----------------------|--------|-----|-----|-----|-------|----------|
|                                                               |                       | NE     | NC  | S   | W   |       |          |
| "Eating some fat is necessary for good health"                | 1697                  | 29%    | 28% | 26% | 17% | 100%  | NS       |
| Agree                                                         |                       | 80     | 80  | 74  | 76  | 78    |          |
| Disagree                                                      |                       | 20     | 20  | 26  | 24  | 22    |          |
| "Eating less animal fat can reduce the risk of heart disease" | 1548                  | 29     | 29  | 25  | 17  | 100   | NS       |
| Agree                                                         |                       | 91     | 88  | 93  | 91  | 91    |          |
| Disagree                                                      |                       | 9      | 12  | 7   | 9   | 9     |          |

Attitudes about fat and animal fat do not differ by region for the sample as a whole. Previous analysis indicated that regional differences do appear when don't know and no opinion responses are included (Appendix C). Respondents in the South are more likely to have no opinion.

Respondents are more likely to agree that some fat is necessary for good health. More agree as their education and income levels increase (Table 6, Appendix D).

Table 6. Opinions about the statement, "Eating some fat is necessary for good health" by region and education group.

| Variable     | Number of Respondents | Region |     |     |     | Total | $\chi^2$ |
|--------------|-----------------------|--------|-----|-----|-----|-------|----------|
|              |                       | NE     | NC  | S   | W   |       |          |
| Education    |                       |        |     |     |     |       |          |
| Less than HS | 464                   | 22%    | 32% | 32% | 14% | 100%  | .01      |
| Agree        |                       | 71     | 81  | 70  | 60  | 73    |          |
| Disagree     |                       | 29     | 19  | 30  | 40  | 27    |          |
| HS graduate  | 620                   | 34     | 30  | 22  | 14  | 100   | .05      |
| Agree        |                       | 80     | 78  | 71  | 87  | 78    |          |
| Disagree     |                       | 20     | 22  | 29  | 13  | 22    |          |
| College      | 602                   | 29     | 24  | 24  | 23  | 100   | NS       |
| Agree        |                       | 84     | 83  | 81  | 77  | 81    |          |
| Disagree     |                       | 16     | 17  | 19  | 23  | 19    |          |

A higher proportion of whites than nonwhites agree, perhaps because education and income lev-



els of whites are higher than those of nonwhites. The groups for which regional differences do appear are the nonwhites, high school graduates, and respondents with less than a high school degree. Nonwhites and the less educated respondents in the West are more likely to disagree while high school graduates in the West are more likely to agree than those in other regions.

Education also appears to affect opinions about the relationship of animal fat and the risk of health problems. The percentage of respondents that agree increases as education increases, although most respondents agree (Appendix E). Region seems to have little effect. Region also has little or no relationship to responses within income groups. Whites, however, do differ in their responses depending upon their region while nonwhites do not. Whites in the North Central region are more likely to disagree with the statement. The percentage of the whites in the North Central region who agree, 88 percent, is similar to the distribution for the less educated and lower income groups.

The apparent inconsistency may indicate region-income-education-race interactions. The result that regional differences in attitudes are not observed for all education and income groups indicates an interrelationship among attitudes and socioeconomic variables other than region.

This study of regional differences in use, changes in use and attitudes about use of beef indicates that race, education, income and region are interrelated in an intricate fashion. Region may be a convenient variable for summarizing other socioeconomic characteristics and may capture other variations in information and cultural orientation.

The South and the West are the regions where most of the differences appear. The South also differs from other regions in income, education, and racial composition. Households in the West are more likely to have some college education than other regions. They are also more likely to use more beef, to decrease use of beef, and to feel they should eat less beef.

The information in this Consumer Survey could be useful in planning education campaigns within regions intended to change food use patterns or increase knowledge about health, nutrition, and food choices. Producers of beef could also use results presented in this paper as an indication of future demand for beef. It appears, for example, if more purchasing power becomes available to Southern households, more beef will be purchased. Western households, on the other hand, are more likely to decrease use in response to health and nutrition concerns.

Regional differences do seem to persist for some variables within racial, education, and income

groups. Region may serve as an identifiable categorical variable for research, production, and information purposes. However, the interrelationships among socioeconomic variables within regions continue to raise questions about which groups are likely to respond to health information and how they are likely to change their behavior or attitudes.

## Appendix

Appendix A. Frequency of use of beef by region and within education and racial groups.

| Variable              | Number | Region |     |     |         | $\chi^2$ |
|-----------------------|--------|--------|-----|-----|---------|----------|
|                       |        | NE     | NC  | S   | W Total |          |
| Education             |        |        |     |     |         |          |
| Less than HS          | 529    |        |     |     |         | .05      |
| Once a week or less   |        | 45%    | 30% | 42% | 35%     | 38%      |
| More than once a week |        | 55     | 70  | 58  | 65      | 62       |
| HS Graduate           | 667    |        |     |     |         | NS       |
| Once a week or less   |        | 30     | 24  | 30  | 26      | 27       |
| More than once a week |        | 70     | 76  | 70  | 74      | 73       |
| Some College          | 643    |        |     |     |         | .05      |
| Once a week or less   |        | 35     | 21  | 29  | 23      | 27       |
| More than once a week |        | 65     | 79  | 71  | 77      | 73       |
| Race                  |        |        |     |     |         |          |
| Whites                | 1504   |        |     |     |         | .05      |
| Once a week or less   |        | 31     | 24  | 33  | 25      | 28       |
| More than once a week |        | 69     | 76  | 67  | 75      | 72       |
| Nonwhites             | 338    |        |     |     |         | .01      |
| Once a week or less   |        | 57     | 31  | 38  | 32      | 40       |
| More than once a week |        | 43     | 69  | 62  | 68      | 60       |

Appendix B. Distribution of feelings about the amount of beef eaten by region and within education group.

| Variable     | Number | Region |     |     |     | Total | $\chi^2$ |
|--------------|--------|--------|-----|-----|-----|-------|----------|
|              |        | NE     | NC  | S   | W   |       |          |
| Education    |        |        |     |     |     |       |          |
| Less than HS | 509    |        |     |     |     |       | .01      |
| Eat more     |        | 10%    | 19% | 31% | 27% | 22%   |          |
| Eat less     |        | 10     | 9   | 10  | 22  | 12    |          |
| About right  |        | 80     | 72  | 59  | 51  | 66    |          |
| HS graduate  | 649    |        |     |     |     |       | .05      |
| Eat more     |        | 7      | 12  | 15  | 10  | 11    |          |
| Eat less     |        | 22     | 24  | 13  | 14  | 20    |          |
| About right  |        | 71     | 64  | 72  | 75  | 70    |          |
| Some college | 626    |        |     |     |     |       | .05      |
| Eat more     |        | 3      | 11  | 6   | 6   | 16    |          |
| Eat less     |        | 26     | 25  | 30  | 35  | 29    |          |
| About right  |        | 71     | 64  | 64  | 59  | 65    |          |



Appendix C. Distribution of responses to attitudinal questions by region, including don't know and no opinion responses.

| Question                                                      | Number | Region |     |     |     |       | $\chi^2$ |
|---------------------------------------------------------------|--------|--------|-----|-----|-----|-------|----------|
|                                                               |        | NE     | NC  | S   | W   | Total |          |
| "Eating some fat is necessary for good health"                | 1849   | 29%    | 28% | 26% | 17% | 100%  | .01      |
| Agree                                                         |        | 73     | 76  | 65  | 71  | 71    |          |
| Disagree                                                      |        | 19     | 18  | 23  | 22  | 20    |          |
| Don't know/<br>no opinion                                     |        | 8      | 6   | 12  | 7   | 9     |          |
| "Eating less animal fat can reduce the risk of heart disease" | 1849   | 29     | 28  | 26  | 17  | 100   | .01      |
| Agree                                                         |        | 76     | 78  | 75  | 76  | 76    |          |
| Disagree                                                      |        | 7      | 10  | 5   | 7   | 8     |          |
| Don't know/<br>no opinion                                     |        | 17     | 12  | 20  | 16  | 16    |          |

Appendix D. Opinions about the statement, "Eating some fat is necessary for good health" by region and within income and racial groups.

| Variable        | Number | Region |     |     |     |       | $\chi^2$ |
|-----------------|--------|--------|-----|-----|-----|-------|----------|
|                 |        | NE     | NC  | S   | W   | Total |          |
| All respondents | 1697   | 29%    | 28% | 26% | 17% | 100%  | NS       |
| Agree           |        | 80     | 80  | 74  | 76  | 78    |          |
| Disagree        |        | 20     | 20  | 26  | 24  | 22    |          |
| Income          |        |        |     |     |     |       |          |
| Under \$10,000  | 408    |        |     |     |     | 100   | NS       |
| Agree           |        | 80     | 80  | 67  | 69  | 74    |          |
| Disagree        |        | 20     | 20  | 33  | 31  | 26    |          |
| \$10,000-14,900 | 260    |        |     |     |     | 100   | NS       |
| Agree           |        | 76     | 83  | 76  | 73  | 77    |          |
| Disagree        |        | 24     | 17  | 24  | 27  | 23    |          |
| \$15,000 & over | 717    |        |     |     |     | 100   | NS       |
| Agree           |        | 83     | 82  | 81  | 86  | 83    |          |
| Disagree        |        | 17     | 18  | 19  | 14  | 17    |          |
| Race            |        |        |     |     |     |       |          |
| Nonwhites       | 288    |        |     |     |     | 100   | .01      |
| Agree           |        | 79     | 78  | 67  | 54  | 70    |          |
| Disagree        |        | 21     | 22  | 33  | 26  | 30    |          |
| Whites          | 1404   |        |     |     |     | 100   | NS       |
| Agree           |        | 80     | 81  | 76  | 81  | 79    |          |
| Disagree        |        | 20     | 19  | 24  | 19  | 21    |          |

Appendix E. Opinions about the statement, "Eating less animal fat can reduce the risk of heart disease," by region and within income and education groups.

| Variable           | Number | Region |     |     |     |       | $\chi^2$ |
|--------------------|--------|--------|-----|-----|-----|-------|----------|
|                    |        | NE     | NC  | S   | W   | Total |          |
| All respondents    | 1548   | 29%    | 29% | 25% | 17% | 100%  | NS       |
| Agree              |        | 91     | 88  | 93  | 91  | 91    |          |
| Disagree           |        | 9      | 12  | 7   | 9   | 9     |          |
| Education          |        |        |     |     |     |       |          |
| Less than HS       | 412    |        |     |     |     | 100   | NS       |
| Agree              |        | 95     | 84  | 89  | 85  | 88    |          |
| Disagree           |        | 5      | 16  | 11  | 15  | 12    |          |
| HS graduate        | 556    |        |     |     |     | 100   | NS       |
| Agree              |        | 88     | 91  | 93  | 92  | 91    |          |
| Disagree           |        | 12     | 9   | 7   | 8   | 9     |          |
| Some college       | 574    |        |     |     |     | 100   | NS       |
| Agree              |        | 94     | 88  | 98  | 93  | 94    |          |
| Disagree           |        | 6      | 12  | 2   | 7   | 6     |          |
| Income             |        |        |     |     |     |       |          |
| Less than \$10,000 | 364    |        |     |     |     | 100   | .05      |
| Agree              |        | 94     | 82  | 93  | 86  | 89    |          |
| Disagree           |        | 6      | 18  | 7   | 14  | 11    |          |
| \$10,000-14,900    | 250    |        |     |     |     | 100   | NS       |
| Agree              |        | 92     | 90  | 94  | 90  | 92    |          |
| Disagree           |        | 8      | 10  | 6   | 10  | 8     |          |
| \$15,000 & over    | 657    |        |     |     |     | 100   | NS       |
| Agree              |        | 88     | 93  | 94  | 94  | 92    |          |
| Disagree           |        | 12     | 7   | 6   | 6   | 8     |          |
| Race               |        |        |     |     |     |       |          |
| Nonwhites          | 261    |        |     |     |     | 100   | NS       |
| Agree              |        | 85     | 90  | 91  | 82  | 87    |          |
| Disagree           |        | 15     | 10  | 9   | 18  | 13    |          |
| Whites             | 1282   |        |     |     |     | 100   | .01      |
| Agree              |        | 93     | 88  | 95  | 94  | 92    |          |
| Disagree           |        | 7      | 12  | 5   | 6   | 8     |          |

AN ASSESSMENT OF CONSUMER EDUCATION IN OKLAHOMA SECONDARY SCHOOLS  
AND THE IMPACT OF THE ECONOMIC EDUCATION ACT OF 1974

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Abstract

The scope and design of consumer education programs in Oklahoma secondary schools was investigated to assess the present status of the program and to determine the effect of the Oklahoma Economic Education Act. The survey instrument used the consumer education concepts of the Trujillo model. Data collection was done by telephone interview with a 98% response rate. The data was analyzed using the analysis of variance procedure as well as frequencies and percentages. Results indicated a variation in the type of program in relation to the size of school and the geographic location. The Oklahoma Economic Education Act of 1974 had minimal effect on the consumer education program. Overall, the consumer education program in Oklahoma secondary schools is broad and multidisciplinary in focus.

Consumer education presently enjoys a position of relative importance in the curricula of secondary schools in the United States. This has not always been so. There is sufficient evidence to indicate that the growth of consumer education in the schools has paralleled the economic, social, and political courses of society as experienced in the ebb and flow of consumerism and the consumer movement over the past 50 years.

Although consumer education courses could be found in the schools as early as the 1930's, state mandated consumer education programs did not appear until 1967. In that year, Illinois passed legislation which required students in grades 8 through 12 to study courses which included instruction in purchasing, budgeting, and comparison shopping. This legislation and the subsequently developed program has served as a model for other states. (19)

In 1979 the Education Commission of the States published the results of a study of consumer education programs in all United States and territories. This report stated:

By 1978, 38 states and territories reported a specific policy in consumer education. This was double the number of states reporting policy direction in 1973. Thirty-six states have specific policy statements that are related to some aspect of consumer education. Two

states have implied policies; i.e., they are part of a state competency program. (19, pg. 9)

In 1974 the Oklahoma legislature enacted the "Oklahoma Economic Education Act of 1974" which mandated a program for all students in grades K-12 to be administered by the State Board of Education. This act required that all elementary and secondary teachers "teach a positive understanding of the American economy, how it functions and how individuals can function effectively within our economy". (10) In addition, this act delineates content of economic education to include "citizenship competencies needed by the individual for effectively performing his decision making roles as a consumer, a worker making career choices, and a voter on personal and societal economic issues." (10) Implementation of the act was to be completed by May 1979.

At any stage of the development of an effective consumer education program, there is a need for assessment of its status. This permits the school administrators, curriculum developers, and teachers an opportunity to evaluate the overall program as well as to adjust future plans to meet the needs and objectives of the students and the program. Most of the more recent studies in consumer education have investigated student competencies. However, three studies have assessed attitudes and opinions of secondary teachers on consumer education as a means of program assessment.

In her study titled "Attitudes of Kentucky Secondary Teachers Toward Consumer Issues and Emphasis Given These Issues," R.M. Davis (6) surveyed teachers from four disciplines to determine their attitudes toward consumer issues and to assess their appraisal of emphasis given these issues in program objectives. The findings revealed a significant difference among the discipline groups of business and office occupations, social studies, home economics, and distributive education in both attitudes toward consumer issues and emphasis on consumer issues.

Another study, "Kentucky Teacher Ratings of Importance and Emphasis for Consumer Education Topics," by J.A. Swope (13) assessed the status of secondary consumer education in Kentucky in the areas of home economics and business, as well as a comparison of the topics or concepts deemed most important by the teachers. The third study which incorporated teacher opinions as a means of secondary program assessment was "Consumer Education in Wisconsin Public Secondary Schools and Universities and a Comparison of Opinions Held by Wisconsin Secondary School and University Teachers Toward Selected Consumer Education Issues," by

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P.J. Quirk. This research assessed the status of consumer education in the Wisconsin secondary schools in relation to the state mandate.

Even though consumer education is recognized as an important educational element by most educators, the purposes of consumer education are not universally agreed upon. The curriculum content of consumer education is usually determined locally in accordance with the particular interests and purposes of the persons who are charged with the responsibility of developing, implementing, and delivering the programs in the schools. Probably the most visible controversy concerning curriculum content has been the divergent views of the champions of consumer education and those who believe that economic education is the answer to consumer problems. This divergence of views was treated with great sophistication by Dr. Trujillo in her comparative analysis of consumer and economic education. (15) By using a panel of experts and the Delphi research technique, she identified educational concepts which were consumer education concepts, those which were economic education concepts, and those which interface with both consumer and economic education. The conclusions of the study stated:

Efforts to delineate the parameters of economic education and consumer education yielded a model which indicates the concepts appropriate to each of those subjects individually. The model also identifies concepts which are common to both subjects and therefore represent the interface. The model...perceives a strong common theoretical base to both subjects at the K-12 level, to which consumer education adds individual consumer applications and economic education adds producer and worker applications. (15)

This Trujillo model sets the stage for this study.

This study was designed to assess the present status of consumer education programs in Oklahoma secondary schools, and to determine what effect the Oklahoma Economic Education Act of 1974 has had on the development of these programs. The scope and design of the existing programs was assessed quantitatively and analyzed in relation to school size and geographic location. Because of the interrelatedness of economic education and consumer education as depicted by the Trujillo model, the consumer education program assessment is justified.

This study gathered information concerning the existing consumer education programs in Oklahoma secondary schools. Programs were assessed quantitatively according to the number of concepts/topics included in the instructional program as well as the subject matter areas in which they were included. The data was analyzed in relation to the specified variables. The effect of the Oklahoma Economic Education Act of 1974 was evaluated to determine its impact on the consumer education programs in selected Oklahoma secondary schools.

## Population and Sample Plan

The population for this study was the 492 Oklahoma secondary schools which were stratified two ways: (1) by rural or urban geographical location, and (2) by school size. A sample size of 12 percent was determined by a statistician as practical and relevant. This translated into a sample size of 58 schools. Because the population of Oklahoma is half rural and half urban, the sample was first divided equally between rural and urban populations using the Standard Metropolitan Statistical Areas (SMSA) definition. The state of Oklahoma has three SMSA areas: Oklahoma City, Tulsa, and Lawton. Schools located in these areas provided the urban segment and the remainder of the Oklahoma counties provided the rural segment.

The sample was further stratified by school size using the average daily membership (ADM) as the criteria. The four strata were: (A) over 1,000 ADM; (B) 999 ADM to 500 ADM; (C) 499 ADM to 100 ADM; and (D) Below 100 ADM. Each strata was given proportional allocation according to school size. Allocations were based on the number of schools in each of the strata in relation to the total number of schools in the sample. Following stratification, schools in each strata were randomly drawn according to size and geographic grouping.

## Instrumentation

A questionnaire was developed which would meet the objectives of the study and at the same time be brief enough to be completed in a short period of time by busy school teachers and administrators. The brevity of the instrument was essential in decreasing the number of non-responses and refusals to participate in the study.

Concepts investigated were those from the Trujillo model which the review of literature indicated were most frequently included in previous studies, textbooks, and curriculum guides. The selected concepts included: Planning, Budgeting, Financial Record Keeping; Buymanship Skills; Advertising; Goals and Value Clarification; Borrowing and Credit; Insurance; Savings and Investments; Tax Planning; Decision-Making, and Consumer Rights and Responsibilities.

The instrument elicited the following information about each of the concepts: name of class(es) in which concept was taught; class grade level and number of students enrolled. This information was necessary to determine the extent of the consumer education programs in each school. Subject areas which included instruction in each of the selected topics were recorded and the percentage of students receiving instruction in each of the concepts was determined from the relationship of the number of students enrolled in the class and school's average daily attendance.

The last two columns of the instrument were designed to assess the impact of the Oklahoma Economic Education Act on consumer education programs. The headings of these two columns were: "Was the topic included as a result of the Economic Education Act?"



and "Was the topic expanded as a result of the Economic Education Act?" The analysis of this data determined the effect which legislation has had on consumer education in each school.

#### Data Collection

Following the selection of a random sample of schools to be surveyed, letters were sent to the superintendent of each of the 58 schools explaining the research project and requesting their participation. In addition, a copy of a letter of verification and support from Dr. Leslie Fisher, Superintendent, Oklahoma State Department of Education, was enclosed. Each superintendent was asked to identify, on an enclosed form, the name of the person/persons most informed about the consumer education programs in their school. They were also asked to suggest a convenient time for contacting these people by telephone. All 58 superintendents responded positively to the requests by providing the information requested.

Persons identified were mailed a letter of explanation and a copy of the survey instrument. The letter specified a date and time when the telephone contact would be initiated by the researcher to obtain the data requested in the instrument. A variety of personnel was contacted including: superintendents, principals, business teachers, home economics teachers, social studies teachers and career/guidance teachers.

Telephone interviews were scheduled and conducted. The researcher requested only the information on the instrument using a copy of the instrument to record the data. The interviews averaged approximately eight minutes in length and were conducted over a two week period. Of the sample of 58 schools, a total of 57 schools responded, giving a 98 percent response rate. One school in the Rural Size D strata did not participate.

The data was collected from the participating sample and the responses were tabulated. The procedures used to analyze the data were frequencies, percentages, means, the analysis of variance procedure and the multiple t test.

#### Scope and Design of Consumer Education Programs

The scope of consumer education programs was defined as the extent to which consumer education topics/concepts are included in regularly scheduled secondary school classes. The total frequency of consumer education topics/concepts being included in regularly scheduled classes was 4,484 in the 57 schools which composed the sample. It can be concluded that there exists a broad coverage of consumer education throughout the secondary school system of Oklahoma. It may be further concluded that consumer education in Oklahoma is a multidisciplinary educational effort which is addressed by a variety of teachers representing many traditional subject areas.

The consumer education concept reported being included in the largest number of classes was "Planning, Budgeting and Financial Record Keep-

ing." "Borrowing and Credit" and "Buymanship Skills" were reported as second and third in frequency of coverage. The frequency of coverage was comparatively evenly spaced over the ten concepts with only a four percent difference between the most and least frequently listed concept.

In the stratification of the schools by geographic location, urban schools reported a total frequency of 2,558 concepts or 57 percent of the coverage, while the rural schools reported a frequency of 1,926 concepts or 43 percent of the coverage. Both rural and urban schools reported the same three topics as being most frequently included. These were: "Planning, Budgeting and Financial Record Keeping," "Borrowing and Credit," and "Buymanship Skills." The largest difference was found in the investigation of the frequencies by school size. The Size A schools (over 1,000 ADM) reported 11 percent of the total frequency of the consumer education concepts; Size B (999 to 500 ADM) reported four percent of the frequency; Size C (499 to 100 ADM) reported 54 percent; and Size D (below 100 ADM) reported 31 percent. This uneven distribution of the frequency reveals that Size C schools are addressing the topics most often, while Size B schools are including the topics less often than other schools.

In the schools with an average daily attendance of over 1,000 students (Size A), "Borrowing and Credit" was the most frequently covered topic, while "Goals and Value Clarification" was the least frequently reported. Schools in the other three categories of school size reported the topics in the same order as the overall frequency rankings.

The design of the program was defined as the organization of consumer education instruction in relation to grade level, subject matter areas, and the percentage of the students enrolled in classes. An investigation of the frequency of topics in relation to the grade level reveals that the largest coverage (62 percent) of consumer education topics exists at the 11th and 12th grade level. The remainder of the classes reported as including consumer education instruction were found to be divided between 10th and 9th grades in a ratio of 25 percent and 12 percent, respectively. The rank order of percentages remained the same when rural and urban schools were investigated separately. This indicates that consumer education is included in the instructional program more in the junior and senior year rather than at the beginning of high school experience. Rankings in order of frequency of topics included in all four grades were similar with "Planning, Budgeting and Financial Record Keeping" listed most often at all grade levels. There was an even stronger similarity between the rankings of the 10th, 11th, and 12th grades.

Further interpretation of the data reveals that consumer education topics are most often included in classes which are in the home economics and business education curricula. Together, these disciplines represent 61 percent of the total topic coverage reported. A total of 16 subject areas reported coverage of specified topics. This



wide variety of subject matter reportedly involved in consumer education broadens the design of the programs in Oklahoma secondary schools. It also provides greater accessibility for a larger number of students than would be afforded if the topic coverage was limited to a few subject matter areas. The broadest coverage by subject area was in "Buymanship Skills."

The final component of the design of the program was the percentage of students enrolled in classes offering consumer education topics. This percentage was determined by the number of students enrolled in the class in relation to the average daily attendance of the school. The overall average percentage of students enrolled in relation to the average daily attendance was 17 percent. This percentage was almost evenly divided with an average of 17 percent of the students in the urban schools and 16 percent in the rural schools enrolled in the classes.

An investigation of the percentage of enrollment by school size revealed that Size A schools (over 1,000 ADM) had an average of 13 percent of the students enrolled in classes covering consumer education topics, Size B (999 to 500 ADM) 8 percent, Size C schools (499 to 100 ADM) 22 percent, and the Size D schools (under 100 ADM) 24 percent. In reviewing the data in relation to grade level, the average percentage of students enrolled was 12 percent. The analysis of the data showed the 10th and 11th grade has 18 percent of the students enrolled, and 17 percent were enrolled in the 12th grade classes.

While the scope of the consumer education program in Oklahoma secondary schools is a broad multidisciplinary effort, the average percentage of students enrolled was considered low for the design of the program to be judged completely effective. With an average of 17 percent of the students reportedly enrolled in classes covering consumer education topics, it would indicate that the majority of students are not being reached.

#### Effect of Economic Education Legislation

The interrelatedness of economic and consumer education concepts suggested the need for studying the effect of the Oklahoma Economic Education Act of 1974 on consumer education programs in Oklahoma secondary schools. The data reveals that in 721 cases (16%) expansion of the topics were a result of the legislation. Sixty-three percent of these were in rural schools and 37 percent in urban schools. In both rural and urban schools there was no expansion reported in Size B schools, nor was there any in the urban Size A schools. The largest number reporting topics expanded (398) was in the Size C schools; however, this represented only 17 percent of the total classes in that size. The 292 topics reported (21%) in Size D schools represented the largest percentage of expansion according to school size.

Topics initially included as a result of the Oklahoma Economic Education Act of 1974 were reported in a much smaller percentage. Of the total

4,484 consumer education topics, only 156 or three percent were reported to have been included as a result of the legislation. Those classes were almost equally divided between the rural and urban schools with 77 reported in the rural and 79 in the urban. There were no topics included as a result of the legislation in either of the rural or urban Size A and B schools, and only 23 in the Size D schools. One hundred and thirty-three topics were included in Size C schools as a result of the legislation.

As stated previously, this study was designed to determine the effect of the legislation relative to the selected consumer education topics only. There was no attempt to determine the effect of the law on economic education concepts. The data suggests that the law has had little effect on consumer education in the secondary schools of Oklahoma. This is not meant to imply that the legislation is ineffective, but that its effect on consumer education has been minimal.

#### Analysis of Findings

The analysis of variance (ANOVA) procedure was used to determine if there was a significant difference between the size of school and the scope and design of consumer education programs. The results shown present a variation of 112.869 with a F value of 7.43, which was significant at the .002 level. Thus, there was a significant difference between size of schools in the consumer education programs. The ANOVA was also performed to test for significant difference between the geographic locations of rural and urban schools and the scope and design of the consumer education program. The results showed a variation of 21.43 with an F value of 4.23. The means of the rural schools was 8.11 and the urban school means was 8.72, which indicates little difference between the two samples. However, this was significant at the .0383 level and there was a significant difference between the geographic locations of rural and urban schools and the scope and design of the consumer education program. Because the frequencies were so low on the number of classes reported to have included (3%) or expanded (16%) topics as a result of the Oklahoma Economic Education Act of 1974 the data was not analyzed using the ANOVA. It was assumed that there was no significant difference between the implementation of the Economic Education Act of 1974 and the consumer education programs in the secondary schools of Oklahoma.

#### Conclusions

The development of consumer education in the secondary schools has been sporadic and has paralleled the economic, social, and political courses of our society. Hindrance to the growth of this subject in the schools has been a result of concepts covered in consumer education being closely interrelated with those of economic education. This lack of a consistent definition and disciplinary base has served to create problems concerning the subject matter areas in which it is to be covered in the secondary school.

The broad scope of consumer education was determined by the respondents reporting 4,484 as the frequency of consumer education concepts being taught in specific subject matter areas. The design of the program revealed all of the concepts being covered to some extent throughout all of the schools by grade level, school size, and geographic location.

Consumer education may be considered as an integral part of the secondary school education program in Oklahoma. Personnel in the Oklahoma secondary schools have consciously or unconsciously developed a multidisciplinary approach to consumer education. Home Economics and business are the two subject matter areas showing the greatest involvement. Legislation seems to have had almost no effect on the initiation of consumer education concepts in the Oklahoma secondary schools. The Oklahoma Economic Education Act has had a minimal effect on efforts to expand and enrich the program. The outstanding weakness of the consumer education program is that less than 20 percent of all Oklahoma secondary students are involved in classes covering consumer education topics.

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# DETERMINANTS OF CONSUMER REPAYMENT BEHAVIOR IN THE USE OF CREDIT CARDS<sup>1</sup>

Ramona K.Z. Heck<sup>2</sup>

## Abstract

A research model was developed to explain the probability of households choosing to repay their credit card debt on an installment basis and maintaining an outstanding balance from month to month. The model was estimated using a probit technique and a sample of 587 households from the 1977-78 Survey of Consumer Credit. Higher earned income levels, more years of education attained by the respondent, higher occupational ranks, nonemployment status, and older head of households are less likely to maintain credit and debt from month to month. Higher levels of mortgage, installment and credit card debt, larger families, negative attitudes toward the use of credit cards, and expectations of future favorable economic conditions increased the probability that a household would repay their credit card debt on an installment basis.

Given the inflationary trends of the 1970's, average debt loads assumed by households have increased. Today, total consumer debt, including home mortgages, stands at one trillion dollars which equates to approximately \$4,600 for every man, woman, and child in the country [6, pp. A39-A43]. Total consumer installment credit outstanding reached \$306 billion at the end of 1980 [6, p. A41]. This level is a considerable increase compared to \$102 billion in 1970 even when controlled for inflationary trends in prices [21, p. 534]. Total consumer credit extensions have increased 91.0 percent since 1975 (Table 1). With these high levels of debt, the reexamination of components or types of consumer credit which are chosen by households as part of their debt portfolio is warranted.

A closer examination of the growth in consumer credit shows that revolving credit; i.e., credit cards, is the most rapidly expanding area of the consumer credit market (Table 1). Extensions of revolving credit have increased by 534 percent between 1975 and 1980 while the growth for other types of consumer credit has been considerably smaller (Table 1).

Curtin and Neubig point out that both the number of families using credit cards and the intensity of credit card use has increased during the

1970's [4, p. 1; 16, p. 1]. The increase in the intensity of use is measured by a larger fraction of monthly income being spent on credit card purchases. In addition, families hold more numbers of credit cards and carry larger average outstanding balances today than in 1970 [4, p. 1]. One of the largest areas of growth has been in bank credit cards. Peterson has attributed this growth to increases in real income, low unemployment, the proportion of population between 18 and 45, and regulatory influences [17, p. 564].

TABLE 1.  
VOLUME OF EXTENSIONS BY MAJOR TYPES OF CONSUMER CREDIT<sup>a</sup>

| TYPE OF CREDIT | YEAR                |         |         |         |         |         | Percentage Increase From 1975 to 1980 |
|----------------|---------------------|---------|---------|---------|---------|---------|---------------------------------------|
|                | 1975                | 1976    | 1977    | 1978    | 1979    | 1980    |                                       |
| AUTOMOBILE     | 51,413 <sup>b</sup> | 63,743  | 75,641  | 87,981  | 93,901  | 83,002  | 61.41 <sup>d</sup>                    |
| REVOLVING      | 20,428              | 43,934  | 86,756  | 105,125 | 120,174 | 129,580 | 534.3                                 |
| MOBILE HOME    | 4,323               | 4,859   | 5,424   | 5,412   | 6,471   | 5,098   | 17.9                                  |
| OTHER          | 83,981 <sup>c</sup> | 98,492  | 86,249  | 95,150  | 104,231 | 86,207  | 5.0                                   |
| TOTALS         | 160,145             | 211,028 | 254,071 | 297,668 | 324,777 | 305,887 | 91.0%                                 |

<sup>a</sup>Source: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System, July 1979, p. A41 and August 1981, p. A41.

<sup>b</sup>millions of dollars.

<sup>c</sup>home improvement loans are included in the other category for 1975 even though published separately for that year.

<sup>d</sup>calculated by author.

Since households are indulging more extensively in consumer credit and particularly in revolving credit, a study of how credit cards are used by consumers is needed. The knowledge gained from a study of the characteristics of consumers in relation to how they use their credit cards is important to public policy makers, credit grantors, and professionals who work with families.

From a public policy standpoint, it is essential to know who uses credit cards and how they are used in order that regulations will be equitable and feasible. Credit grantors would value information concerning credit card users in order to further promote their credit instruments to the nonusers and to identify the type of user who yields the best revenues. And finally, it is important for professionals who deal with families and their money matters to identify users and abusers of revolving credit.

The purpose of this research is to examine the credit card repayment patterns manifested by consumers in relation to their socioeconomic and psychological characteristics.

<sup>1</sup>This research was funded in part by the American Home Economics Research Foundation and by the New York State College of Human Ecology, Cornell University.

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## Previous Research

### Consumer Installment Credit in General

Historically, research concerning the use of household consumer credit has consisted of descriptive analysis of the size of down payments, maturities, loan terms, and borrower characteristics. Most early analyses have dealt with automobile installment loans since this type of credit was most widely used by consumers and statistical information was reported most consistently.

An examination of consumer debt over time shows that the maturity of installment debt holders are in the middle income groups. Wage earners group (traditional blue-collar occupation groups) tend to assume large installment debt loads while farmers assume least. Also, the ratio of debt to liquid assets tends to be higher for installment credit users. Finally, the frequency of installment indebtedness tends to increase the most for younger age groups and the associated activities of establishing households [14, pp. 19-34].

The Surveys of Consumer Finances conducted by the Institute for Social Research at Ann Arbor, Michigan have provided detailed information concerning consumer debt loads. Lansing, Maynes, and Kreinen analyzed credit data from 1955 to 1956 by means of frequencies, multiple regression, and analysis of variance. They concluded that the following factors are related to the use of installment credit by consumers:

1. Liquid-asset holdings. (The larger the liquid assets of a unit, the less likely it is to owe installment debt. But among units who owe, the amount of payments does not appear to be related to liquid-asset holdings.)
2. Income. (The probability that a unit will owe first rises and then falls as income rises. The amount of payments rises with income but at a slower rate.)
3. Age or stage in the life cycle. (Both the probability that a unit will owe and the amount of payments are highest for young couples and lowest for older people.)
4. Income stability. (Units with stable incomes are less likely to owe. Their payments seem to be about the same as those of other units, other things being equal.)
5. Whether the head is a farmer. (Units headed by farmers are less likely to owe. Those who do borrow obligate themselves to smaller payments than units headed by individuals in other occupations.)
6. Region of the country. (Units in the West are more likely to owe. Their payments

seem to be about the same as those of other units, other things being equal.)

7. Whether the unit owns a home with a mortgage. (Units with a mortgage are more likely to owe installment debt.) [9, p. 488].

The National Commission on Consumer Finance summarizes the characteristics of users of consumer credit as follows:

The profile that emerges is that the consumer most likely to employ installment credit to acquire goods and services is young, married, with children at home and with a family income between \$7,500 and \$15,000. The stage in the life cycle of the family appears to be most influential in determining frequency of use, while the level of income probably has a greater influence on the quantity of debt and the quality of the goods and services acquired [3, p. 12].

Dunkelberg and Stafford examined installment debt levels are part of their consumer debt portfolio analysis. The higher levels of installment credit debt were negatively related to: low and high incomes, having no children, being a single parent, and being a farmer. Higher levels of installment credit debt were positively related to: middle incomes, being married with children, and having variable income from month to month [5, p. 603].

The 1971-72 Survey of Consumers has also been analyzed in terms of the borrower characteristics and levels of installment debt and the use of credit cards. Levels of installment credit and previously-tested borrower characteristics continued to be related. The use and nonuse of credit cards was analyzed descriptively in terms of percentages. In general, users of revolving credit tended to belong to higher income groups and young and middle age groups [11, pp. 5-20].

### Consumer Credit Cards

Previous research of credit card user characteristics has focused on two main areas: the number of credit cards held and the variation in amounts charged monthly. Most of these surveys of user characteristics have examined bank credit cards [7, p. 328].

Adcock, Hirschman, and Goldstucker studied bank credit card usage among 952 residents of a metropolitan area during 1975. Bank card users were more likely than non-users to have middle or upper-middle incomes, to be better educated, middle-aged or older, married and males [1, p. 239].

McAlister and Kinsey sampled 1,330 Minnesota households in 1977 concerning their use of



consumer credit. This survey data was analyzed in order to estimate the probability of holding credit cards. Using a tobit regression technique, these researchers found that rural residency (negative effect) and having both a checking and savings account (positive effect) were the best indicators of the probability of holding credit cards. Other important variables were: attitude toward credit (positive attitude increases likelihood of holding credit cards); rent or mortgage payments (positive effect); other monthly payments (positive); home ownership (positive); and marital status (positive) [13, pp. 1-4]. These researchers were mainly concerned with the likelihood of holding a credit card and numbers of credit cards held. Analysis did not include the use made of the credit cards by consumers or the repayment behavior patterns manifested by credit card holders.

White attempted to predict the probability of using a credit card and to explain the variation in amounts charged in relation to the characteristics of consumers holding credit cards. The sample analyzed included 649 households chosen from the files of a bank in a large metropolitan area. A probit regression analysis was estimated with the probability of credit card usage being the dependent variable.

The most significant independent variables produced by this analysis included the following:

1. size of transaction in dollars (negative effect)
2. race (positive effect)
3. age (negative effect), and
4. size of outstanding credit card balance (positive effect) [22, p. 15].

During the spring of 1977, Hirschman and Gold Goldstucker studied 504 households with regard to their use of bank credit cards in department stores. This study found that individuals who used their bank cards to make department store purchases were more likely to belong to community organizations, to earn higher incomes, and to belong to a higher social class. In contrast, individuals who did not use their bank cards in this fashion were more likely to be at the young singles life-cycle stage, to belong to social and recreational organizations, and to possess credit cards issued by department stores [8, p. 12].

Mathews and Slocum empirically found that bank cardholders with low income and low socioeconomic status used credit cards to generate revolving credit capacity. In contrast, the rich use credit cards as a convenient exchange medium [12, 20].

Shay has theorized that essentially three types of consumer credit users exist with associated characteristics as follows:

#### Type of User

the wholly credit-dependent consumer

the partly credit-dependent purchaser

the independent purchaser

#### Characteristics

- a. relatively few liquid assets
  - b. regular recurring expenses high in proportion to income
  - c. a favorable attitude toward credit use
- a. some liquid assets
  - b. average expenses
  - c. generally favorable attitude toward credit use
- a. relatively abundant liquid assets
  - b. regular expenses low in proportion to income
  - c. a critical attitude toward credit use.

Since the use of credit cards and the repayment patterns are flexible from month to month to month, Shay's typology of consumer credit users is particularly relevant for consumers who use revolving credit.

Previous research has provided insight into who holds credit cards and how many are held. Some research has attempted to examine intensive cards are used by consumers. Little attention has been paid to the repayment patterns of credit card users. This research paper will attempt to model the possible behavior patterns which consumers might choose in paying off the accumulated balances on their credit cards.

#### The Model, Hypotheses, and Data

##### The Model and Hypotheses

In a review of literature, no comprehensive research study was found in which credit card repayment behavior was analyzed in detail. Consumers who use credit cards essentially have three alternatives in regard to repayment patterns:

1. always pay in full when due
2. pay as soon as possible
3. pay a little at a time like an installment loan.

For the purpose of this research paper, the first and second alternatives were considered to be the same behavior so that the greater disparities between "short-term" users of revolving credit can be compared to "long-term" users. Or, using Shay's terminology, independent purchasers were compared to wholly credit-dependent consumers, respectively. Aprior, it was expected that repayment patterns would vary considerably between these two groups.

Thus, the dependent variable was dichotomous in nature. In other words, if the consumer is a "short-term" user of credit cards, the dependent variable was given the value of zero. And, conversely, if the consumer is a "long-term" user, the dependent variable assumed a value of one. In short, the probability of a credit card user being a "long-term" user was examined for credit cards in general. The independent variables used to examine or predict this probability were socioeconomic and psychological in nature.

#### Socioeconomic Characteristics

Socioeconomic characteristics included in the research model were: earned income, years of education and occupational level of the respondent, nonemployment status, mortgage, installment, credit card debt, age of respondent, family size, presence of a child under six years of age, race, and rural location of residence.

Previous research has shown middle incomes to be related to the use of consumer credit in general. The possession of credit cards are more likely for higher incomes. Mathews and Slocum and Shay have theorized that households with high incomes are more likely to use credit cards for convenience [12, 19]. Therefore, higher levels of earned income were expected to be negatively related to the use of credit cards on an installment basis; i.e., "long-term" users.

Years of education of the respondent was included in the model to represent a measure of ability and experience to handle one's own financial affairs. If a consumer treats his credit cards as a form of installment credit, the repayment behavior may indicate an inability or lack of experience of managing one's income to meet current needs. Credit cards may be relied upon too heavily and large outstanding balances may be carried over from month to month. It was hypothesized that higher levels of education would be associated with a lower probability of using one's credit cards on an installment basis.

The respondent's occupational level and nonemployed status were included in the research model. Occupational level indirectly denotes a measure of job stability and financial security. It was expected that workers in higher occupational levels would have less dependency on using credit cards as a type of installment credit. A binary variable which represented one if not employed and zero if employed was added to the research model to compensate for the incidence of zeros in the occupational status variable. Since nonemployed status would probably have increased the difficulty of obtaining credit cards, it was hypothesized that being nonemployed would discourage the use of credit cards.

Lansing, Maynes, and Kreninen found that households who held mortgages were more likely to use installment credit [9, p. 488]. McAlister and

Kinsey found mortgage payments and other monthly payments to be positively related to the probability of holding credit cards [13, pp. 1-4]. Shay also theorized that "credit-dependent" consumers had high regular recurring expenses in proportion to income [19]. These high regular recurring expenses could include other debt commitments such as mortgages, installment credit debt and the total debt held on one's credit cards. It was hypothesized that all three debt variables would be positively related to the probability that a consumer would treat his credit card debt as an installment loan.

The age of the respondent, family size, and the presence of a child under six years of age were included as a group of variables in the model and represent or measure the stage of family life cycle for a particular household. Previous research has shown that young married couples with children are the heaviest users of consumer installment credit [14; 3, p. 12; 5, p. 603]. In regard to the use of credit cards, White found a negative relationship between age and the probability of credit card usage [22, p. 15]. Hirschman and Goldstucker found that young singles' life cycle stage was related to a lower probability of using bank credit cards for department store purchases [8, p. 12]. It is probably the case that younger families with children are faced with heavier financial demands and, therefore, are more likely to carry over large outstanding balances on their credit cards. Therefore, it was hypothesized that the age of the respondent would be negatively related to the use of credit cards as a type of installment credit. Family size and the presence of a child under six years of age were expected to be positively related to the probability of repaying one's credit cards in an installment fashion.

K. White found that the probability of credit card usage was positively related to being nonwhite [22, p. 15]. The extent to which nonwhites occupy low-socioeconomic strata, Mathews and Slocum found that lower incomes and lower socioeconomic status were associated with the use of credit cards for revolving credit capacity [12]. It may also be true that nonwhites experience more income and job instability, and greater difficulty with managing their financial affairs. If this is true, it may be more likely that nonwhites would maintain larger outstanding balances on their credit cards. A positive relationship was hypothesized.

A rural residency has traditionally been associated with less usage of consumer credit in general. McAlister and Kinsey found a negative relationship between the probability of holding credit cards and rural residency [13, pp. 1-4]. Thus, it was hypothesized that living in a rural area would discourage the "long-term" use of credit cards.

## Psychological Characteristics

Psychological characteristics included in the research model were two binary variables representing one's attitudes toward the use of consumer credit in general and the use of credit cards. Two additional binary variables were included which represent the respondent's expectations of his financial circumstances and general economic conditions in the future.

The first two binary variables assumed values of one if the respondent had a negative attitude toward the use of consumer credit in general and a negative attitude toward the use of credit cards, respectively. McAlister and Kinsey found that a positive attitude toward consumer credit increased the likelihood of holding credit cards [13]. Shay theorized that the "credit-dependent" consumer held a more favorable attitude toward the use of consumer credit [19]. Thus, these consumers would be more likely to maintain larger outstanding balances and negative signs were hypothesized for the binary variables representing a negative attitude toward credit use.

The last two binary variables assumed values of one if the respondent expected his own personal financial circumstances and the general economic conditions of the country to better in the future, respectively. It was expected that consumers would be more likely to maintain larger outstanding balances on their credit cards if they expected their financial futures and the country's financial condition to improve.

## The Data

Data used in this research paper was taken from the 1977-78 Survey of Consumer Credit conducted by the Institute for Social Research at the University of Michigan. This survey included cross-sectional data on the distribution of assets, debts, durable goods, and financial transactions among American families. This national survey consisted of 2,563 respondents personally interviewed during the summer of 1977 and reinterviewed in August 1978.

The actual sample analyzed in this research paper included 587 households. Table 2 contains descriptive statistics of this sample for the variables used in this research model.

## Empirical Results, Discussion, and Implications

Of the 587 members of the sample, 147 households, or 25 percent, repaid their credit card debt on an installment basis. The research model or equation was estimated using a probit procedure which accommodates a dichotomous dependent variable. The chi square statistic was 151.38 which is significant at the .01 level. Two insignificant coefficients had signs which were not expected. The presence of a child under six years of age was negatively related to the use

of credit card debt on an installment basis. It may be that households with young children refrain from maintaining large outside balances on their credit cards or even using them because of a fear of being unable to eventually pay off this type of debt. Although insignificant, installment repayment patterns were less likely if the respondent expected the country's general economic conditions will be better in the future. This result would seem to be counter-intuitive.

All significant socioeconomic characteristics had the directional (positive or negative) effects which had been hypothesized. Higher earned income levels, more years of education attained by the respondent, higher occupational ranks and nonemployment status all lowered the probability that a particular household will maintain large outstanding balances on its credit cards. These findings of Mathews and Slocum which were specific to only credit card usage. Further, the research findings of this paper empirically support Shay's theory that households with high incomes are more likely to use credit cards for convenience and not on an installment repayment basis.

All three debt variables were significant and positively related to the likelihood that a household will maintain credit card balances. The more mortgage, installment, and credit card debt held by households, the greater the probability that households are "long-term" credit card users. Again, these findings support previous research findings [9, 13]. It appears that Shay's "credit-dependent" consumer is more likely to repay his credit card debt in an installment fashion.

Two of the variables representing the household's stage of family life cycle were significant and possessed the hypothesized sign. Older heads of households were less likely to maintain large outstanding balances on their credit cards. Also, households with more family members were more likely to repay their credit cards in an installment fashion. It would appear the younger and larger households face higher financial demands which most likely cause these households to postpone the repayment of their credit card debt.

It was expected that if the respondent had a negative attitude toward the use of credit cards, this would lower the probability that this household would maintain an outstanding balance on its credit cards. However, a significant positive relationship was found. Although insignificant, a negative attitude toward credit in general does decrease the probability of maintaining credit card debt as hypothesized. This difference in signs may be attributed to the lower transaction costs of credit card debt such as the ease of availability once credit card accounts are established and the timing advantage of credit cards. In other words, even though a household views the use of credit in general and the use of credit cards negatively, this same household



may be more likely to incur and maintain credit card debt because it is easier to use than other types of credit instruments once the credit card account is established.

Finally, if a respondent expects his financial circumstances will improve in the future, he will be more likely to maintain an outstanding balance on his credit cards. Optimism about our future economic conditions increases our willingness to assume credit card debt.

#### Conclusions

In summary, higher earned income levels, more years of education attained by the respondent, higher occupational ranks, nonemployment status, and older head of households are less likely to maintain credit card debt from month to month. Higher levels of mortgage, installment, and credit card debt, larger families, negative attitudes toward the use of credit cards, and expectations of future favorable economic conditions increased the probability that a household would repay their credit card debt on an installment basis.

The findings of this research paper should provide further information and insight into how consumers use their credit cards. Public policy makers, credit grantors, and professionals who work with families should be better able to identify households who are more likely to maintain credit card debt.

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Table 2. Descriptive Statistics of Research Variables

| Variables                                                         | Continuous Range Variables |                    | Binary Variables |                   |
|-------------------------------------------------------------------|----------------------------|--------------------|------------------|-------------------|
|                                                                   | Mean                       | Standard Deviation | Number           | Percent of Sample |
| SOCIOECONOMIC CHARACTERISTICS                                     |                            |                    |                  |                   |
| Earned income                                                     | 21653.00                   | 25416.00           | --               | --                |
| Years of education of respondent                                  | 13.42                      | 13.72              | --               | --                |
| Nonemployed status                                                | --                         | --                 | 30               | 5.1               |
| Mortgage debt                                                     | 10898.00                   | 18647.00           | --               | --                |
| Installment debt                                                  | 1652.50                    | 3464.30            | --               | --                |
| Credit card debt                                                  | 272.45                     | 694.25             | --               | --                |
| Age of respondent                                                 | 45.40                      | 47.89              | --               | --                |
| Family size                                                       | 3.20                       | 3.51               | --               | --                |
| Presence of child under 6 years                                   | --                         | --                 | 134              | 22.8              |
| Nonwhites                                                         | --                         | --                 | 41               | 7.0               |
| Rural location of residence                                       | --                         | --                 | 100              | 17.0              |
| PSYCHOLOGICAL CHARACTERISTICS                                     |                            |                    |                  |                   |
| Negative attitude toward the use of credit                        | --                         | --                 | 57               | 9.7               |
| Negative attitude toward the use of credit cards                  | --                         | --                 | 124              | 21.1              |
| Expect one's financial circumstances will be better in the future | --                         | --                 | 183              | 31.2              |
| Expect general economic conditions will be better in the future   | --                         | --                 | 100              | 17.0              |
| DEPENDENT VARIABLE                                                |                            |                    |                  |                   |
| Use credit cards on installment basis                             | --                         | --                 | 147              | 25.0              |
| Total Number in Sample = 587 cases                                |                            |                    |                  |                   |

Table 3. Probit Estimates of Repayment Behavior of Credit Card Users

| Variables                                                         | Regression Coefficient | Standard Error | t Statistic |
|-------------------------------------------------------------------|------------------------|----------------|-------------|
| SOCIOECONOMIC CHARACTERISTICS                                     |                        |                |             |
| Earned income                                                     | -.00003                | .000007        | -4.27***    |
| Years of education of respondent                                  | -.05                   | .03            | -1.67**     |
| Occupational level of respondent                                  | -.009                  | .004           | -2.30**     |
| Nonemployed status                                                | -.33                   | .34            | -.97        |
| Mortgage debt                                                     | .000008                | .000005        | 1.61*       |
| Installment debt                                                  | .00005                 | .00002         | 2.23**      |
| Credit card debt                                                  | .0009                  | .0001          | 6.40***     |
| Age of respondent                                                 | -.01                   | .006           | -2.29**     |
| Family size                                                       | .15                    | .05            | 2.91***     |
| Presence of child under 6 years                                   | -.01                   | .18            | -.05        |
| Nonwhites                                                         | .15                    | .24            | .62         |
| Rural location of residence                                       | -.21                   | .17            | -1.23       |
| PSYCHOLOGICAL CHARACTERISTICS                                     |                        |                |             |
| Negative attitude toward the use of credit                        | -.17                   | .23            | -.74        |
| Negative attitude toward the use of credit cards                  | .41                    | .15            | 2.69***     |
| Expect one's financial circumstances will be better in the future | .34                    | .15            | 2.36***     |
| Expect general economic conditions will be better in the future   | -.35                   | .17            | -.20        |
| CONSTANT                                                          | -.33                   | .58            | -.57        |
| Log Likelihood = -254.67                                          |                        |                |             |
| $\chi^2 = 151.38***$                                              |                        |                |             |

\*Significant at .10 level. \*\*Significant at .05 level. \*\*\*Significant at .01 level.

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Abstract

Advocacy advertising has significantly increased in recent years. Television commercials that address controversial public issues, however, are often rejected by broadcasters, primarily because of the FCC's Fairness Doctrine obligations to present the other side. This paper examines corporations' access to the media and broadcasters' rights to refuse commercial material.

The title of this paper, a headline in a newspaper ad for Kaiser Aluminum & Chemical Corporation, presents one of the thorniest issues in consumer advertising for the 1980's. Answers from the media to this question are: yes, no, and it depends.

Since the mid-1970's consumers have been the target of an increasing barrage of advocacy advertising directed at them by major corporations. Advocacy advertising is directed to specific communication goals and is usually more provocative than the "good corporate citizen" institutional ads familiar to the public. Defining advocacy advertising is an elusive task. There is not even agreement on the proper term. Issue advertising, editorial advertising, advertorials, opinion advertising, and a half-dozen other similar terms are used. Labels aside, it is not surprising that definitions of advocacy advertising vary according to the source.

The International Advertising Association, in a major worldwide study published in 1977, prefers the term "controversy advertising" and defines it as "any kind of paid public communications or message from an identified source and in a conventional medium of public advertising, which presents information or a point of view bearing on a publicly recognized controversial issue." (14 p. 18) The purpose of such advertising is to have a bearing on a matter of recognized public controversy."

The American Association of Advertising Agencies, which obviously supports the proliferation of advocacy advertising, defines it in part as "advertising paid for by a corporation and designed to communicate the company's position on public issues which have some connection with its business activities." (Emphasis added.) (6)

Advocacy advertising often addresses political issues and when it falls in the category of grassroots lobbying it is considered protected speech under the First Amendment. Although a

number of major advertisers and trade organizations have protested the Internal Revenue Service's regulation that prohibits the deduction of advocacy advertising as a business expense (7), their protests present a two-edged sword. If advocacy advertising is considered commercial rather than protected speech, the Federal Trade Commission could, in the opinion of some, legitimately exercise its legal power to prevent deceptive and unfair advertising.

Dr. S. Prakash Sethi at the University of California has succinctly summarized the status of advocacy advertising, the IRS and the FTC. "If a corporation takes a business expense deduction, it is inappropriate for it to argue that the FTC cannot regulate. Conversely, if the advertiser can take no deduction, the FTC may not regulate." (23 p. 320)

A strong recommendation by the FTC staff, developed in the early 1970's, argued that consumer interests were affected by corporate image advertising and therefore the public interest would be served by encouraging full accountability by maintaining legal standards for corporate image claims, especially with respect to claims regarding social responsibility. The Commission, however, resisted this First Amendment quagmire. In 1975 it decided against adopting a policy that would involve it in judging the presence of affirmative misstatement, failure to disclose material facts or unsubstantiated claims for corporate image advertising. (9)

The courts have not been silent in the rapid rise of advocacy advertising. Since 1975 the United States Supreme Court has issued a number of decisions that have struck down the traditionally accepted limitations on the First Amendment rights of advertisers. (*Bigelow v. Virginia*, *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council*, *Bates v. State of Arizona*.) These decisions reflect the Court's recognition that a commercial motive does not necessarily make an advertisement undeserving of First Amendment protection.

Of particular note is the *First National Bank Boston v. Bellotti* which in a five-four decision ruled in 1978 that corporations have a right to speak out on political issues and can spend corporate funds in doing so. Writing for the majority, Justice Lewis F. Powell, Jr. declare "The inherent worth of the speech in terms of its capacity for informing the public does not depend upon the identity of its source, whether corporation, association, union or individual." (17)

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Interpreted as a green light, corporate advertisers with particular communication concerns beyond routine commercial advertising instructed their advertising agencies to develop advocacy campaigns. Examination of these campaigns would not be complete without a brief summary of the Federal Communications Commission's interest in this matter. Broadcasters, licensed by the FCC are obliged to meet the requirements of the Fairness Doctrine which mandates "reasonable opportunity for the discussion of conflicting views on issues of public importance." (13) The history of the Fairness Doctrine has been replete with litigation, contradictions and general confusion for broadcasters. It was first applied to commercial advertising in 1967 when the FCC decided that cigarette commercials invoked Fairness Doctrine obligations on broadcasters. Subsequently efforts were made (some successful, some not) to apply the Fairness Doctrine to a variety of commercial messages for automobiles, gasoline, military recruitment, snowmobiles, utility companies, and nonbiodegradable detergents.

Broadcasters and advertisers voiced protests to the prospect of wholesale applications of the Fairness Doctrine to commercials. As confusion and controversy mounted, the FCC undertook comprehensive treatment of the subject in its 1974 Fairness Report. Distinctions were drawn between editorial (advocacy), institutional, and product advertising. The Commission unequivocally rejected further application of the Fairness Doctrine to standard commercials for goods and services. The report noted that the Commission believed that standard product commercials make no meaningful contribution toward informing the public on any side of any issue. In the other two categories, editorial (those advertisements which consist of "direct and substantial commentary on important public issues") and institutional advertising ("designed to present a favorable public image of a particular corporation or industry rather than sell a product") the Commission was equally clear: the Fairness Doctrine was applicable.

The Commission noted, however, the difficulty in analyzing an advertiser's motives. The 1974 Fairness Report admonished broadcasters to "do nothing more than to make a reasonable, common sense judgment as to whether the 'advertisement' presents a meaningful statement which obviously addresses, and advocates a point of view on, a controversial issue of public importance." (16) Thus was the buck passed to the broadcasters. Their response has been marked with caution, and with an increased debate as to the appropriateness of advocacy advertising on the public airwaves.

Corporations do not enjoy any mandated right of access to any of the media for their advertising. The U.S. Supreme Court had held that such advertising has neither a constitutional nor statutory basis for a right of access to broadcast facilities. (12) Thus broadcasters, free

to refuse to sell time, may still want to carry advocacy commercials but are reluctant to accept messages that will invoke the Fairness Doctrine. To understand better the so-called dilemma of the broadcasters, a brief examination of answers to the following questions seems appropriate: who are these corporate advertisers and what are their motives?

Advocacy advertisers come from the ranks of multinational corporations, public utilities, heavy industry, financial institutions and trade associations. The motives of these corporations in presenting advocacy advertising obviously vary with circumstances. The 1977 study by the International Association identified the following three "needs" for advocacy advertising: (14 p. 20)

- 1) The corporation's constituencies will not tolerate silence. In the face of attack on company policies and practices, silence is interpreted as an admission of guilt.
- 2) The media are perceived by many companies to fail in their responsibilities. Fair, accurate or complete coverage in a controversy may not be obtained. (Mobil Oil, for example, has been vociferous in protesting what it considers false interpretations of oil companies' profits.) (15)
- 3) Advertisers taking part in public controversy want maximum control over the message delivered and the environment in which it is delivered. Ordinary press releases may be edited or not used at all by the media.

Other motives for advocacy advertising include the desire to build a constituency that never before existed, to build public awareness of political issues affecting business, to respond to the public's distrust of business, to build support in resisting government regulation, and to win favorable support from employees, stockholders and customers.

The subjects addressed in advocacy advertising obviously vary with the corporation. They may include particular concerns of management; the prevailing economic, social and political climate; and the perceived concerns of consumers. Advocacy ads in recent years have displayed a preponderance of endorsements for free enterprise and a condemnation of what is labeled as excessive government regulation. This theme has been used by a great variety of corporate advertisers, but seems likely to diminish in the near future. The new administration in Washington, elected in part on a platform of less government involvement in business, has mitigated some of the antigovernment regulation advertising themes. A leading trade publication, *Advertising Age*, editorialized that "many companies may find there is less urgency for some of the hard-hitting public issue advertising which was necessary during those years when the political tides were unfavorable." (4)



Other common themes directed to consumers include a variety of approaches on the nation's energy needs, nuclear proponents being the most controversial; the "good corporate citizen" theme designed to polish a tarnished image; and pleas for support in defeating particular ballot issues or in lobbying for or against pending legislation at all levels of government.

Second-guessing the motives of the advertiser presents a difficult problem for broadcasters concerned about Fairness Doctrine obligations. The reluctance of broadcasters to accept this advertising has been a frustration to corporations that feel print advertising may not communicate as effectively or may not reach the kind of audience or the mass of consumers that are available in television. Advocacy campaigns launched exclusively in newspapers and magazines obviously offer the corporation an opportunity to present lengthy, detailed arguments. Special interest publications reach select audiences. But for advertisers who want to reach a mass audience and build a national consensus for a particular viewpoint, television presents a more efficient media buy both in terms of cost and total audience reached.

The management of Kaiser Aluminum & Chemical Corporation, which has been almost as vocal as Mobil Oil in protesting the denial of access to network television for its advocacy commercials, has expressed its desire to use TV because "whether it is used to inform the nation of momentous events or routinely entertain and sell its sponsors' products, (TV) represents a communications device unprecedented in its sweep or impact in the history of the world." (8 p. 9)

Do people notice advocacy advertising? A 1980 survey by Opinion Research Corporation of Princeton, New Jersey, interviewed a national probability sample of 1010 people ages 18 and over. Six people in ten said they favored the idea of companies using paid advertising to present their point of view on controversial public policy issues. (5) A particularly interesting result of this study was the response of 70 percent of the sample that said they had seen advocacy commercials on television. Kenneth Schwartz, vice president and managing director of Opinion Research Corporation, attempted to explain why so many people cited television when most advocacy advertising is carried in magazines and newspapers. "It must be borne in mind that because of the predominance of television, this medium tends to be cited by the majority of people as the source of almost any kind of information about which they are questioned." (18)

The Television Bureau of Advertising, a national trade organization concerned with building the industry's revenues, announced the results of its research on advocacy advertising. In 1980 the bureau sent questionnaires to the general managers of 642 commercial TV stations asking

the station's policy on the acceptance of "opinion commercials" and enclosing five storyboards from All-State Insurance, Commonwealth Edison, Edison Electric Institute, Kaiser Aluminum & Chemical Corporation and Mobil Oil. The station managers were asked to indicate whether or not they would accept each individual ad. Responses from 396 stations indicated 6 percent would accept any "opinion commercial" and 83 percent would accept these commercials on a case-by-case basis. (19) A similar survey conducted by the bureau in 1975 revealed that only 50 percent of the stations surveyed would consider carrying advocacy commercials.

To develop some knowledge of what is acceptable and what is not, the five storyboards used in this survey yielded some interesting acceptance rates. The All-State Insurance commercial, dealing with establishing automobile insurance rates based on the company's make and model ratings, achieved an 87 percent acceptance rate. Mobil Oil trailed the pack with a 64 percent acceptance rate on a commercial criticizing the absence of a national energy policy. The commercial stated, "There's uranium in the ground equivalent to 43 billion barrels of oil." (19) Any reference to nuclear power is apparently perceived as particularly controversial by broadcasters.

In response to the Television Bureau of Advertising survey, Editor & Publisher, a national trade publication, predicted that because of the increase in the number of television stations that will accept advocacy advertising, many companies may transfer more of their opinion advertising from newspapers and magazines into television. (18)

Until mid-1981, however, the three major television networks have declined to accept advocacy advertising. Their stated reasons centered on two primary arguments: (A) the public is best served by coverage of controversial issues through news and public affairs programming, and (B) those corporations with enormous sums to spend in advocacy advertising would control the agenda of public debate and exert excessive influence in the formation of public opinion (the "deep pocket" theory).

The first argument is challenged by a number of corporations, notably oil companies, that claim they have been maligned, misquoted, misunderstood, misrepresented and generally sandbagged by TV news." (15 p. 54) The second argument is refuted by a number of corporate spokespersons. Ronald E. Thody, corporate vice president of Kaiser Aluminum, had addressed the "deep pocket" theory and stated, "The salient fact here is that those who speak the loudest on ideas and opinions in this country are those who have the biggest soap boxes, not those with the biggest pocketbooks. Actors, athletes, politicians, activists and even bureaucrats . . . have access to television, which major corporations do not, and for all practical purposes they dominate the



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## SUGGESTIONS FOR STUDENTS INTERESTED IN CONSUMER AFFAIRS CAREERS

Jo Ellen Helmlinger, Big Bear Stores Company<sup>1</sup>

1. Take several business courses, especially basic economics and advertising.
2. Take a public relations course, if possible. It is different than advertising.
3. Take a good basic writing course, preferably journalism oriented.
4. Take other communications courses such as broadcasting and speech since public speaking is generally an important part of the job.
5. Learn to be a good listener and a sympathetic person but not a pushover. This is especially important in dealing with complaints.
6. Learn to think fast and be well prepared in order to anticipate questions.
7. Develop good resource files so that you can be a clearinghouse for information.
8. Learn to accept criticism of the company graciously without taking it personally.
9. Show an interest in politics and government. Know how legislation becomes law or regulation because it is an important part of business.
10. Register to vote and vote in all elections.
11. Join professional organizations and be active in them. They are excellent for making contacts needed in the job. Many groups have discounts for first year graduates. Dues you pay yourself are also good for tax breaks.
12. Encourage the company to join consumer advocate groups even though a group's position may sometimes differ with the company's. This shows your willingness to work with consumers for solutions to problems and gives you advance information on important issues.
13. Read a variety of publications each week including business and professional journals as well as the popular press and survey reports. Subscribe to the daily newspaper. The best weekly news magazine is U.S. News And World Report because it contains more facts and less fluff.

### Internal Company Skills:

1. Report as high as possible on the corporate ladder.
2. Be active in the company. Join committees and other groups to show that you are a team member not just the company "cop." Don't be afraid to criticize policies, however. It's part of your job.
3. Use special skills to an advantage such as a flair for writing or photography to make

you better known in the company.

4. Always write an annual report and set goals.

### Position Description

General Description: Voice of the consumer to the management of the company and the voice of Big Bear to the consumer. Reports to the president of the company and through him to the company management committee.

### Internal:

1. Write some of the company communications including some news releases.
2. Serve as a member of the company's grocery merchandising committee that reviews new products for the stores and plans part of the advertising.
3. Serve as a company representative to meetings concerning consumer affairs including hearings in the Ohio legislature on various consumer bills affecting supermarkets and their customers.
4. Handle consumer complaints, comments and suggestions and use that information to pinpoint problems and develop new programs. Some complaints are channeled to appropriate operations people for action.
5. Supervise the customer relations specialist.
6. Suggest and comment upon company practices and programs from the viewpoint of the consumer. Keep company officials aware of issues that concern consumers in the marketing area.
7. Work toward making all company people "consumer sensitive."
8. Serve as editor of the company magazine for employees.

### External:

1. Provide consumers with the types of information needed to become better informed and more satisfied customers.
2. Give talks to organizations and develop educational programs about consumerism, wise shopping habits, nutrition and other related topics.
3. Write and distribute educational materials to consumers. This includes writing some materials for ads.
4. Serve as an information source for local newspaper and television reporters.
5. Use customer contact and surveys to gauge consumer attitudes and opinions to anticipate consumer dissatisfactions before they become

<sup>1</sup>Consumer Consultant

major problems.

6. Promote understanding of the supermarket industry and how it operates.
7. Coordinate community service projects with the company advertising agency.
8. Serve as a member of the Food Marketing Institute Consumer Affairs Council.

Donna Iams  
University of Arizona<sup>1</sup>

### Abstract

This paper examines energy information sources used by Arizona home economics and consumer educators for classroom and home use. The results are based on 165 mail questionnaires in May 1981. Variables used were years taught school, years housing concepts taught, method of teaching and grade levels taught.

Research studies have been conducted to determine the general public's view of the credibility of energy information sources (2,4,8,9). However, research is lacking on how educators view these same sources of energy information.

Since the 1973-74 oil embargo, energy conservation has become the focus for many educational programs in both the private and public sector. Programs in elementary schools through post-secondary institutions have included energy management information and how it affects individuals, society, and the economy and foreign affairs (1,5,6). Home economics and consumer teachers have focused on energy management by redesigning curriculum materials, developing energy research (11,12,13). Therefore, it is important to examine the energy information sources used by these educators.

The purpose of this paper is to examine teachers' attitudes toward energy information sources used in the classroom and for personal use at home. The paper also examines factors which may influence these teachers' decisions to use certain sources.

### Data Collection

A mail questionnaire was developed using a panel consisting of two home economics and consumer teacher educators, a representative of the Arizona State Energy Office, a local construction firm executive, and a county housing extension agent. The instrument was pilot tested using 30 home economics/consumer educators in Texas.

The Arizona State Department of Education provided a list of Arizona secondary public school teachers from which 246 home economics/consumer educators were surveyed. One teacher was selected from each school having four home economics/consumer teachers or less. Two teachers were surveyed if the school had five or more such teachers.

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The survey was conducted in May, 1981. To maximize the return rate, the Total Design Method for mail surveys (Dillman, 1978) was used. Questionnaires were sent to school addresses. School regulations made follow-up telephone interviews of non-respondents difficult. Five questionnaires were returned marked "Not Deliverable" were discounted from the computer return rate (Babbie, 1973). The number of completed questionnaires was 165 yielding a 68% response rate (See Table 1 for complete response rate). This completed number represents 26% of all Arizona home economics/consumer educators in Arizona.

TABLE 1. Summary of Response Rate

|                                    |     |     |
|------------------------------------|-----|-----|
| Questionnaires completed           | 165 | 68% |
| Incomplete questionnaires returned | 15  | 6   |
| Refused response                   | 16  | 7   |
| Non-respondents interviewed        | 16  | 7   |
| Non-response                       | 31  | 13  |
| Total questionnaires delivered     | 241 |     |

### Methodology

The dependent variable was "helpfulness" of energy information sources in the classroom and the home. Respondents were first asked to indicate how helpful they found various energy information sources for use in their classroom. These sources included the U.S. Energy Department, state energy office, county extension office, gas or electric company, salesperson, college or university professor, building inspector, printed materials by manufacturer, do-it-yourself books, friend or relative, craftsperson like a builder or plumber. The response categories were "never used," "not helpful," "somewhat helpful," "very helpful," coded 0-3 respectively. To determine how the teachers felt about the helpfulness of energy information sources, a mean was found for each source by totaling all the code ratings for a particular source and dividing by the number of ratings which were available for that particular resource.



The independent variables were selected to identify teaching experience. The variables were: years taught school, years housing concepts taught, method of teaching housing concepts, and grade levels taught.

#### Findings

An examination of all the teachers revealed that a difference existed between what was viewed as helpful in their classroom and helpful in their home use (See Table 2). Only the utility company was considered helpful for both classroom and home use. Do-it-yourself books and manufacturers' materials were considered most helpful for home use. Salespersons and building inspectors were considered least helpful in both the classrooms and home use.

TABLE 2. Energy Information Sources Rated Most and Least Helpful By Secondary Home Economics/Consumer Educators

| Most Helpful<br>(n=165)  |                          |
|--------------------------|--------------------------|
| Home Use                 | Classroom Use            |
| Craftsperson             | Utility company          |
| Utility company          | Do-it-yourself books     |
| U.S. Energy Dept.        | Manufacturers' materials |
| Least Helpful<br>(n=165) |                          |
| Home Use                 | Classroom Use            |
| Salesperson              | Building inspector       |
| Building inspector       | State Energy Office      |
| Friend or relative       | Salesperson              |

#### Years of General Teaching Experience

The number of years a teacher had taught in the public school was believed to have some influence on their opinion of the helpfulness of information sources. An examination of Table 3 indicates there were differences. Except for teachers with 11 to 15 years of teaching experience, the utility companies were considered helpful sources of energy information for home and classroom use regardless of the teachers' years of experience. The teachers with more than ten years of experience added county extension offices and craftspeople to the home and classroom list. Manufacturers' materials were considered helpful for classroom use if the teachers had more than three years of experience. Do-it-yourself books were considered helpful for classroom use when teachers had less than 20 years of experience and for home use if the teacher had four to ten years of experience. The U.S. Energy Department was con-

sidered helpful for home use but not for classroom use regardless of the teacher's experience.

There appears to be a general consensus that salespersons, the state energy office, building inspectors and friends/relatives are less helpful as energy information sources for home and classroom use (Table 4). Teachers with 11 to 15 and those with more than 20 years of experience tend to expand the list of least helpful sources for home use. College professors and do-it-yourself books are also noted as less helpful by this latter group of teachers.

#### Years Teaching Housing Concepts

To see if the teaching of housing influenced the teacher's opinions about energy information sources, a separate distribution was constructed by controlling the number of years they had taught housing concepts. Only 119 of the 165 teachers completing the questionnaire taught housing concepts as part of their curriculum.

The longer the teachers had included concepts in their curriculum, the more sources they were likely to indicate as being helpful for home and classroom use (See Table 5). Except for home use by teachers in the four to ten category, utility companies appeared as a helpful source for classroom and home use. The major differences occur between home and classroom use. Do-it-yourself books and manufacturers' materials were considered helpful for classroom use, regardless of the number of years teaching housing concepts. These sources did not appear for home use until after an indicated ten years of teaching experience. The U.S. Energy Department appeared as a helpful energy information source for home use regardless of the number of years teaching housing concepts. This source was not identified as helpful for classroom use until after teachers had taught housing concepts for 16 years.

A pattern which emerges from this distribution is that teachers who have taught housing concepts eleven years or more tended to indicate several of the above sources.

Sources considered less helpful varied slightly for home versus classroom use when years taught were compared (See Table 6). Salespersons appeared in each possible grouping. Building inspectors appeared in three of the four home use groups and all four of the classroom groups. The state energy department was found in three of the four classroom groups but in only one grouping for home use. Friends, craftspeople, do-it-yourself books and college professors were interspersed among the groupings.

#### Method of Teaching Housing

Those teachers who emphasize housing in curriculum

TABLE 3. Energy Information Sources Rated Most Helpful in the Classroom and At Home By Number of Years Home Economics/Consumer Educators Taught School

| Number of Years Taught | Most Helpful                                                                                                |                                                                                                                |
|------------------------|-------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
|                        | Home Use                                                                                                    | Classroom Use                                                                                                  |
| 1-3 years<br>(n=27)    | Utility company<br>Craftsperson<br>Manufacturers' materials<br>U.S. Energy Department                       | Utility company<br>Manufacturers' materials<br>Do-it-yourself books                                            |
| 4-10 years<br>(n=55)   | Craftsperson<br>U.S. Energy Department<br>Utility company<br>Do-it-yourself books                           | Utility company<br>Manufacturers' materials<br>Do-it-yourself books                                            |
| 11-15 years<br>(n=29)  | County Extension Office<br>U.S. Energy Department<br>Craftsperson                                           | County Extension Office<br>Manufacturers' materials<br>Do-it-yourself books<br>Utility company<br>Craftsperson |
| 16-20 years<br>(n=25)  | Utility company<br>Craftsperson<br>County Extension Office                                                  | Utility company<br>Manufacturers' materials<br>Do-it-yourself books                                            |
| 20 + years<br>(n=19)   | County Extension Office<br>Utility company<br>U.S. Energy Department<br>State Energy Office<br>Craftsperson | Utility company<br>Craftsperson<br>County Extension Office<br>Manufacturers' materials                         |

were asked to indicate how they taught housing. Housing could be taught either as a separate block unit or the concepts could be interspersed within other units such as family finance, consumer buying, or interior design.

The method of teaching housing concepts appeared to have little influence on the choice of energy information sources used by teachers in the classroom (See Table 7). Regardless of the method used, utility companies and manufacturers' materials were identified as most helpful and building inspectors and the State Energy Office were least helpful for classroom use. The differences which did appear were between sources used at home and in the classroom. Craftspersons and the U.S. Energy Department emerged as the most helpful for home use. If the teacher taught housing as a separate unit, then the utility company was helpful for both home and classroom use. Those teachers who taught housing within other units identified manufacturers' materials as helpful for both. When it comes to identifying the least helpful sources there was little difference associated with how the concepts were taught or whether the source was for home or classroom use.

Grade Levels Taught

There is no difference between junior high and senior high teachers as to their belief of what are most helpful sources of energy information for the classroom (See Table 8). Manufacturers' materials, the utility company and do-it-yourself books are identified by both groups. The teachers were also in agreement as to what was least helpful on two items: salespersons and building inspectors. Junior high teachers identified friends and relatives while senior high teachers identified the state energy office in their helpful grouping. The least helpful sources for classroom and home use were identical.

The differences appear to be between what teachers considered helpful in the classroom and what they considered helpful at home. Both grade level teachers identified the same source as helpful for home use: craftspersons, U.S. Energy Department, utility companies. Senior high teachers added county extension offices to their list. Only utility companies were identified as helpful for both home and classroom use.

#### Conclusions and Implications

The number of years teachers have taught public schools and housing concepts does influence their

TABLE 4. Energy Information Rated Least Helpful in the Classroom and At Home By Number of Years Home Economics/Consumer Educators Taught School

| Number of Years Taught | Least Helpful                                                                                           |                                                                                                               |
|------------------------|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
|                        | Home Use                                                                                                | Classroom Use                                                                                                 |
| 1-3 years<br>(n=27)    | Salesperson<br>State Energy Office<br>Friend or relative                                                | State Energy Office<br>Building inspector<br>Salesperson                                                      |
| 4-10 years<br>(n=55)   | Salesperson<br>Building inspector<br>State Energy Office                                                | Building inspector<br>Salesperson<br>State Energy Office                                                      |
| 11-15 years<br>(n=29)  | Building inspector<br>Friend or relative<br>Manufacturers' materials<br>Do-it-yourself books            | Building inspector<br>State Energy Office<br>Salesperson                                                      |
| 16-20 years<br>(n=25)  | Salesperson<br>Building inspector<br>Friend or relative                                                 | Building inspector<br>State Energy Office<br>College professors                                               |
| 20 + years<br>(n=19)   | Do-it-yourself books<br>Friends and relatives<br>Building inspector<br>Salesperson<br>College professor | Building inspector<br>College professors<br>State Energy Office<br>Friend or relative<br>Do-it-yourself books |

TABLE 5. Energy Information Sources Rated Most Helpful in the Classroom and At Home By Number of Years Home Economics Teachers Have Taught Housing Concepts

| Number of Years Taught | Most Helpful                                                                                                                                                          |                                                                                                                                                                                |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                        | Home Use                                                                                                                                                              | Classroom Use                                                                                                                                                                  |
| 1-3 years<br>(n=76)    | Craftsperson<br>Utility company<br>U.S. Energy Department                                                                                                             | Utility company<br>Manufacturers' materials<br>Do-it-yourself books                                                                                                            |
| 4-10 years<br>(n=31)   | Craftsperson<br>U.S. Energy Department<br>State Energy Office                                                                                                         | Utility company<br>County Extension Office<br>Manufacturers' materials<br>Do-it-yourself books                                                                                 |
| 11-15 years<br>(n=7)   | Utility company<br>County Extension Office<br>Manufacturers' materials<br>Do-it-yourself books<br>U.S. Energy Department<br>State Energy Office<br>Friend or relative | Utility company<br>County Extension Office<br>Do-it-yourself books<br>Manufacturers' materials                                                                                 |
| 16 + years<br>(n=5)    | Craftsperson<br>U.S. Energy Department<br>State Energy Office<br>County Extension Office<br>Utility company<br>Do-it-yourself books                                   | County Extension Office<br>U.S. Energy Department<br>State Energy Office<br>Building inspector<br>Craftsperson<br>Utility company<br>College professor<br>Do-it-yourself books |

TABLE 6. Energy Information Sources Rated Least Helpful in the Classroom and At Home By Number of Years Home Economics Teachers Have Taught Housing Concepts

| Number of Years Taught | Home Use                                                                     | Classroom Use                                            |
|------------------------|------------------------------------------------------------------------------|----------------------------------------------------------|
| 1-3 years<br>(n=76)    | Salesperson<br>Friend or relative<br>State Energy Office                     | Building Inspector<br>State Energy Office<br>Salesperson |
| 4-10 years<br>(n=31)   | Salesperson<br>Building inspector<br>Do-it-yourself books                    | Building inspector<br>Salesperson<br>State Energy Office |
| 11-15 years<br>(n=7)   | Building inspector<br>Salesperson<br>Craftsperson                            | Building inspector<br>State Energy Office<br>Salesperson |
| 16 + years<br>(n=5)    | Building inspector<br>Salesperson<br>College professor<br>Friend or relative | Building inspector<br>Salesperson<br>Friend or relative  |

TABLE 7. Energy Information Sources Rated Most and Least Helpful in the Classroom and At Home By Methods Home Economics/Consumer Educators Have Used In Teaching Housing Concepts

| Most Helpful              |                                                                    |                                                                        |
|---------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------|
| Method                    | Home Use                                                           | Classroom Use                                                          |
| Separate Unit<br>(n=40)   | Craftsperson<br>U.S. Energy Department<br>Utility company          | Do-it-yourself books<br>Utility company<br>Manufacturers' materials    |
| Within a Course<br>(n=59) | U.S. Energy Department<br>Craftsperson<br>Manufacturers' materials | Utility company<br>Manufacturers' materials<br>County Extension Office |
| Least Helpful             |                                                                    |                                                                        |
| Method                    | Home Use                                                           | Classroom Use                                                          |
| Separate Unit<br>(n=40)   | Salesperson<br>Friend or relative<br>Building inspector            | Building inspector<br>State Energy Office<br>Friend or relative        |
| Within a Course<br>(n=59) | Salesperson<br>Building inspector<br>Friend or relative            | Building inspector<br>Salesperson<br>State Energy Office               |

opinions of what energy information sources are helpful. The longer the teachers have taught the greater the number of sources they view as helpful in finding energy management information. This may result from the fact that the longer teachers work, the more person contact they make and thus they have a greater number of sources to rely upon for educational materials.

When housing is taught as a separate concentrated

unit, one might expect teachers to rely upon more energy information sources than when the concepts are taught within other subject areas. The results of this study indicate there is little difference in how the concepts are taught and who the teachers rely upon for energy information.

The major difference in how teachers view energy information sources is influenced by whether the information sources is for classroom or home use.



Except for utility companies, the energy information sources viewed as helpful for classroom use are different from those considered helpful for home use. The rationale for this result may be that the classroom and the home have two different audiences and thus would, under marketing principles, require different informative materials. However, the finding of this study shows that do-it-yourself books and materials made available by manufacturers are considered most helpful for classroom use, although they are generally designed for home use. This result emphasizes the need for more research to see how energy information is being used in various market segments.

The U.S. Energy Department and craftspersons are considered most helpful for home use. The Energy Department has conducted an active program through the mass media to promote energy management. This campaign may have encouraged home use of their resources. Many home owners do expect craftspersons to be experts in specific home structural matters and would tend to rely upon them for specific information regarding solar products.

Energy information sources considered least helpful for classroom use are generally the same as those considered least helpful for home use. These sources were salespersons, building inspectors, friends/relatives and the State Energy Office. The first three of these are seldom available for classroom presentations. Salespersons and friends/relatives usually do not have energy management backgrounds. In Arizona, the State Energy Office functions as a referral service rather than a direct information source. Most people tend to consider direct information more helpful than indirect or referral information and this may contribute to the fact that the State Energy Office is viewed as less resourceful.

The energy information sources used by junior high teachers are the same ones used by senior high teachers. Since specific information supplied by the sources was not examined, it is not known if the information received from these sources is designed for specific grade levels or whether it just happened that the same sources were used.

More research needs to be done to determine how energy information is used in classroom settings. Are energy information sources selected because they really are more helpful, or because they are more readily available? How do the students view the energy information they are given? Do other professions provide their clientele with energy information different from what these clients use in their own homes?

There is no doubt that federal budget cuts will affect governmental energy information sources. Therefore, it is also important to determine what information and materials are useful to various

segments of society. More studies which identify energy information uses and sources they rely upon are needed to identify which energy programs should be exempt from budget cuts, which should be eliminated and which might be better sponsored by the private sector.

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THE RELATIONSHIP BETWEEN FINANCIAL  
STRATEGIES AND PERCEPTION OF CONSUMPTION

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Abstract

The relationship between financial strategies used by families and their perception of level of consumption was tested using a random sample of 620 Iowa households. Multiple regression analysis showed saving and noncontributory transfer income to be negatively related to perception of consumption; employment of other family members, home production and investment income were positively related.

The purpose of this study is to assess the relationship between strategies used by a family to increase or reallocate financial resources over the life cycle and the family's perception of its level of consumption. Family economics textbooks and financial counselors recommend various strategies families can use to increase income or redistribute income over time. Recommendations are made with little empirical evidence of how the use of these strategies actually affect the family's evaluation of its consumption level. Information about this relationship will also be helpful in understanding the family's motivations for continuing or discontinuing the use of the strategies.

Thurow (8) found that the actual lifetime pattern of income serves as a severe constraint on the desired lifetime distribution of consumption expenditures, with families desiring to redistribute a substantial amount of income to the younger years and a smaller amount to retirement years. Wilensky (9) used the term "life cycle squeeze" to describe these times when needs are greater than resources.

Gove, Grimm, Motz and Thompson (4) present three basic ways of handling life cycle squeeze, the last two of which are examined in this study. The first approach is to restrict the pressure line, or demands, by limiting family size and reducing or deferring standards of living. The second approach involves the reallocation of time and energy resources. This approach includes such efforts as home production, overtime, moonlighting, and the employment of other family members in the labor market. The third approach is the use of savings/dissavings to improve the temporal fit between income and needs. Savings may be accumulated in anticipation of a future squeeze. Dissavings may be used during a squeeze period and repaid later, during an anticipated period of relative economic comfort.

The reallocation of time and energy resources is represented in this study by the use of three strategies: moonlighting, home production, and the employment of more than one family member outside the home. The use of savings/dissavings is represented by four strategies: investment income, consumer credit, saving and contributory transfer income. One additional strategy is included in the present study, the use of noncontributory transfer income.

All strategies except saving are hypothesized to be positively related to perception of consumption. Saving is delayed consumption and is not expected to contribute positively to perception of present consumption.

Procedures

The Data

This study utilizes the data obtained from the Income and Expenditure Assessment of Iowa Households study. Detailed income and expenditure data were collected, on a recall basis, for the period of June 1, 1975, through May 31, 1976 (1) from a stratified, random sample of the population of the state of Iowa. The sample, when drawn, was heavily weighted for low-income families so, for the analysis used in this study, a reweighting procedure is used so that the sample will reflect the population of the state. Due to the nature of this study, all cases having missing data for current earnings are omitted. Thus, the sample size is reduced from 664 to approximately 620 households.

The Variables

The socioeconomic-demographic variables include age, education, handicapped status and sex of the head of the household, along with a resource/needs ratio for the family. Sex of the head of the household is recorded as male, coded 1, or female, coded 0. If the family consists of both husband and wife, the head is recorded as male. The sample consists of 499 male-headed households (81.3%) and 115 female-headed households (18.7%). Whether or not the head of the household is handicapped was ascertained by a response to the question "Does (name of the head of the household) have a health or physical handicap?" One hundred and six households (17.2%) are headed by handicapped individuals (coded 1).

Life cycle squeeze is measured by a resource/needs ratio. The resources/needs ratio is defined as the current productive income from the main job of the major wage earner divided by a poverty needs standard for that family. The potential measures of resources are

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consumption, wealth, and income (2). Because the purpose of this study is to investigate the relationship between income from various strategies and perception of consumption, total consumption, wealth, or income measures are not appropriate. The use of current productive income of the major wage earner eliminates income from strategies. The largest dollar amount of earned income is identified as the major job and the earner of that money is identified as the major wage earner for the family. The needs of the family are represented by multiplying the U.S.D.A.'s annual Thrifty Food Budget for that family times three (Table 2). Thirty-three percent of the sample have a resource/needs ratio of less than one. Those families having zero current productive income have a zero value for the resource/needs ratio variable (17% of the sample).

The financial strategies are: the employment of family members other than the major wage earner, home production, moonlighting, saving, investment income, credit, contributory transfer income and noncontributory transfer income. All but home production are represented by the dollar amount reported by the household during the last year for each strategy (Table 1). The measure of home production represents the sum of the responses to eleven questions. Nine of the questions asked how often the household did the following: sew, preserve foods, refinish and reupholster furniture, carpentry work in the home, maintenance and repair of the auto, maintenance and repair of the home, and make food from scratch. The range of responses was (1) never, (2) seldom, (3) sometimes and (4) often. The eleventh question, for families who answered positively to having had a garden, recorded a response of (1) small, (2) medium or (3) large garden size. A total of each family's scores on these eleven questions represents the measure of home production.

The level of consumption can be measured objectively or subjectively in terms of absolute or relative levels. Cross-cultural research has shown that individual satisfaction with income and national wealth are not related. Rather, people tend to report they are satisfied with their income when it is above the average for their country (3). For purposes of this study, the family's subjective perception of their relative consumption level is used. The subjective aspect of the measure is useful in ascertaining motivation for continued use of the strategies. The perception of consumption variable is created by summing the responses of each respondent to a series of twelve questions involving major areas of consumption: "How do you feel the quality (or quantity) of your family's \_\_\_\_ (clothing, etc.) compares with the clothing of an average Iowa family of your same size and age(s)?" Clothing, food, home furnishings and equipment, housing, housing space, recreation, medical care and transportation are included. The potential responses were (1) lower, (2) slightly lower, (3) the same, (4) slightly higher and (5) higher. A scale reli-

ability was done on the twelve items, with a resulting alpha of .78 and a standardized item alpha of .78.

#### The Analysis

Multiple regression analysis is used to test the model. A Pearson product-moment correlation matrix was calculated first to check for multicollinearity. Examination of the coefficients showed no excessively higher values except for the relationship between the dollars saved and investment income. This correlation was expected to be somewhat high because of the general practice of receiving interest on savings accounts, bonds and other savings. The correlation was further strengthened by the tendency of the elderly to place investment income back into savings.

#### Findings

Of the socioeconomic-demographic variables, education of the head, handicapped status of the head, and the resources/needs ratio contribute significantly to the prediction of the perception of consumption. Of the eight financial strategies, other members employed, home production, saving, investment income and noncontributory transfer income contribute significantly to the explanation of the variation in perception of consumption. The overall  $R^2$  is .23 (Table 2).

Education of the head of the household is positively related to perception. Although education is generally related to earning ability, we are controlling on the resources/needs ratio and income from strategies. The strength of our finding may represent the influence of the level of management and consumer skills to achieve a higher consumption level.

Households headed by handicapped persons report a lower perception of consumption, even though the model controls on resources/needs ratio and income from strategies. It may be that these households have higher medical expenses than are accounted for in the measurement of the resources/needs variable or have lost income in past years and have, therefore, less money available for consumption of such things as housing, clothing, transportation and home furnishings.

The resources/needs ratio is positively related to perception of consumption, not a surprising finding. As the current productive income from the major job of the major wage earner increases relative to the family's basic needs level, so does the perceived level of consumption.

The following financial strategies contribute significantly to the prediction of the perception of consumption level: employment of other family members, home production, saving, investment income and noncontributory transfer income. Saving and noncontributory transfer income are negatively related to perception of consumption: the other strategies are positively related to perception



TABLE 1. Descriptive Statistics

| Variables                 | % Sample Reporting Income | Mean Value Total Sample | Standard Deviation | Range            |
|---------------------------|---------------------------|-------------------------|--------------------|------------------|
| Dependent                 |                           |                         |                    |                  |
| Other members employed    | 39%                       | \$1,561                 | \$2,821            | \$30-\$15,002*   |
| Moonlighting              | 8%                        | \$213                   | \$1,378            | \$40-\$20,000*   |
| Saving                    | 58%                       | \$1,050                 | \$2,076            | \$1-\$23,000*    |
| Investment Income         | 57%                       | \$1,152                 | \$3,842            | \$2-\$41,300*    |
| Credit                    | 50%                       | \$1,532                 | \$4,476            | \$21-\$75,000*   |
| Contributory              |                           |                         |                    |                  |
| Transfer Income           | 55%                       | \$1,818                 | \$3,250            | \$1-\$44,500*    |
| Noncontributory           |                           |                         |                    |                  |
| Transfer Income           | 9%                        | \$201                   | \$847              | \$12-\$7,878 *   |
| Home Production           | NA                        | 20                      | 5.34               | 8-32             |
| Socioeconomic-demographic |                           |                         |                    |                  |
| Resources                 | 82%                       | \$8,757                 | \$10,390.35        | \$18-\$121,000*  |
| Needs                     | NA                        | \$4,547                 | \$2,160.54         | \$1,565-\$14,165 |
| Resources/needs ratio     | NA                        | 2                       | 3.46               | 0-57.15          |
| Age of H Household        | NA                        | 48                      |                    | 18-87            |
| Education of H Household  | NA                        | 12                      | 2.97               | 0-20             |
| Independent               |                           |                         |                    |                  |
| Perception of Consumption | NA                        | 35                      | 5.96               | 19-55            |

\* Range of non zero cases

NA = Not Applicable

TABLE 2. Regression of perception of consumption on socioeconomic-demographic variables, resources/needs ratio and adaptive strategies

| Variable                           | b       | Beta  | F      |
|------------------------------------|---------|-------|--------|
| Education of head                  | 0.4734  | 0.24  | 34.11* |
| Handicap of head                   | -2.2212 | -0.14 | 12.39* |
| Sex of head                        | 0.7345  | 0.05  | 1.51   |
| Age of head                        |         |       |        |
| 29 or less                         | 0.3187  | 0.02  | 0.21   |
| 40 to 54                           | 0.6959  | 0.05  | 0.99   |
| 55 to 64                           | -0.2372 | -0.01 | 0.09   |
| 65 or over                         | 0.7953  | 0.06  | 0.93   |
| Resources/needs                    | 0.1609  | 0.09  | 6.05** |
| Other members employed             | 0.0004  | 0.18  | 20.33* |
| Moonlighting                       | 0.0001  | 0.02  | 0.31   |
| Home production                    | 0.1111  | 0.10  | 5.81** |
| Save                               | -0.0003 | -0.10 | 4.52** |
| Investment income                  | 0.0003  | 0.19  | 15.66* |
| Credit                             | -0.0001 | -0.04 | 1.12   |
| Contributory                       |         |       |        |
| transfer income                    | 0.0003  | 0.02  | 0.15   |
| Noncontributory                    |         |       |        |
| transfer income                    | -0.0007 | -0.10 | 7.31*  |
| Constant                           | 26.2369 |       |        |
| R <sup>2</sup> = .23 df = 16 & 597 |         |       |        |
| F = 11.03 p < .01                  |         |       |        |

\*Significant at the .01 level

\*\*Significant at the .05 level

of consumption.

Two out of three of the strategies that directly involve the use of human resources contribute to a more positive perception of consumption level. The employment of other family members and home production, both strategies that involve use of the time, energies and talents of family members, are positively related to how well the respondent reports his or her family's quality and quantity of consumption compared to an average family.

Of the four strategies involving reallocation of income over time, the results are mixed. Contributory transfer income and credit are not significant. Investment income is positively related to perception of consumption and saving is negatively related.

Strategies that can increase income concurrently with earned income from the major job of the major wage earner are more likely to be positively related to perception of consumption than strategies that are used as a substitute for earned income. Employment of other family members, home production and investment income are positively related to perception. Contributory transfer income (e.g. Social Security, retirement benefits, workmen's compensation), usually used in lieu of current earned income, is not significant. Noncontributory transfer income, available when other sources of income fail, is negatively related to perception of consumption. As families receive more dollars from welfare, their reported perception of consumption level decreases, ceteris paribus. Williams (1) found

mixed results when investigating the effects of intrafamily grants on perceived income adequacy. The relationship was positive when using the NC 152 data set, not significant on NC 90 data, and significantly negative for low-income males in the NC 128 sample. The receipt of food stamps was examined on the NC 152 sample but it was not significant in predicting the variation in perceived income adequacy.

Families with higher levels of investment income view their level of consumption as higher than do families with little or no investment income. Investment income, positively related to age, can be used in addition to contributory transfer income and current productive income. Investment income also probably represents an amount of total funds available to the family for future consumption.

Saving is negatively related to perception of consumption. Although saving is generally viewed as positive behavior by our society, saving does represent deferred consumption and the findings reflect that.

#### Summary and Conclusions

The purpose of this study is to test the relationship between strategies used by a family to increase or reallocate income over the life cycle and the family's perception of its level of consumption. The following socioeconomic-demographic variables are used: age, sex, handicapped status and education of the head of the household and a resources/needs ratio variable. Eight financial strategies are included: employment of other family members, home production, moonlighting, saving, investment income, credit, contributory transfer income and non-contributory transfer income. All but home production are represented by the dollar amount reported by the household for each strategy. The model is tested on a random sample of Iowa households. Saving, noncontributory transfer income and handicapped status are negatively related to perception of consumption; education, resources/needs ratio, employment of other family members, home production, and investment income are positively related to perception of consumption.

Sex of the head of the household is not significantly related to perception of consumption, *ceteris paribus*. But female-headed households simply do not have equal access to these financial strategies. Female headed households generally lack that additional adult necessary to contribute to family support through market wages, home production efforts and job related benefits (5).

Findings of this study suggest that families are not motivated to increase noncontributory transfer income based on its effect on their perception of consumption level. Other financial strategies, such as earned income and home production, offer rewards if they are available to

the family and age, health or skill level do not prevent the family from using the strategies. Home production can increase real income and the findings of this study give evidence that families reflect that contribution. Educational programs that increase home production skills can have a significant impact on how households feel they are doing. Such programs are a viable alternative or complement to other financial strategies. Given the negative relationship between noncontributory transfer income and perception of consumption, home production may be a more constructive, long-term strategy than increasing welfare payments.

The income from the employment of other family members has a strong positive effect on the family's reported perception of their relative consumption level. This increased perception offers strong motivation for families to continue and perhaps increase the degree of labor market activity by family members. Ross and Sawhill (6) observe that one-earner families may find it difficult to compete economically with dual-earner families and feel pressured to adapt that form. If the two-paycheck family becomes the "typical" American family, it seems probable that people will attempt to achieve an income above the norm for two-paycheck families; people make decisions on the basis of relative income rather than absolute income (3) (6).

Families can benefit from assistance in making a realistic cost/benefit analysis of having other family members enter the labor market. The possible loss of home production efforts needs to be considered in the analysis.

Saving is desirable behavior that can have long term benefits, as demonstrated by the positive relationship between investment income and perception of consumption. But the short term result tends to be a decrease in the household's perception of consumption level. For example, it is easier for families to compare the size or quality of their automobile to their neighbor's automobile than it is to compare savings. Saving is usually more private, with the rewards in terms of consumption coming later. Placing an emphasis on what families are saving for - making the rewards down the road as real as possible - may help families overcome the short term effects of delaying consumption.

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## SATISFACTION/DISSATISFACTION IN THE MARKETPLACE AS A FUNCTION OF CONSUMER ATTITUDES

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### Abstract

The purpose of this study was to assess the attitudes of consumers toward product information, product safety, energy, advertising, consumerism, and government regulation. In addition, this study looked at satisfaction/dissatisfaction in the marketplace as a function of consumer attitudes. The sample consisted of 336 women between 20-65 years of age living in Des Moines, Iowa. The findings of this study indicate that consumers want more product information, safe products, more truthful ads, government protection, and more involvement in the setting of public utility rates and policies.

### Introduction

Consumerism has become a social movement in recent decades. According to Aaker and Day, [1] consumerism identifies the modern consumer movement launched in the middle 1960s. It encompasses the evolving set of activities of government, business, independent organizations, and concerned citizens that are designed to protect the rights of consumers in the market place. During this period there has been growing interest in surveying consumer attitudes toward advertising, product information, product quality, government protection, and the environment to identify the characteristics of dissatisfied consumers and to determine the underlying causes of consumerism. Recent surveys indicate that consumers are becoming dissatisfied with inferior products and services and are voicing their dissatisfaction by complaining to sellers, manufacturers and consumer complaint agencies [9, 10, 12, 13, 15].

### Review Of Literature

The United States has experienced major social, demographic, economic, and political changes in recent decades and these changes have had profound influence on consumer attitudes and behavior in the marketplace. Hustad and Pessemier [7] found that consumers who felt negative toward business tended to be younger women who are intellectually, socially and economically upscale. These consumers were concerned about product safety and misleading advertising and favored governmental intervention and regulation in the marketplace. Barksdale and Darden [2] found that younger, liberal respondents were more critical of marketing practices and were more

impressed with the accomplishments of the consumer movement, and they also supported additional government regulation as a means of solving consumer problems. Coulson [4], on the other hand, reported that those concerned with consumerism and who had negative attitudes toward business practices were older, poorer, less educated, and less able to cope with the world.

Barksdale and Darden [2] studied consumer attitudes and reactions to business policies and practices. They indicated that consumers do react to business policies and practices and that business must educate the public about the operation of the marketing system, and the benefits of the free enterprise. In addition, Barksdale and Darden pointed out that business must also re-examine and modify its policies and practices to improve products and services offered to consumers. Kinnear, Taylor, and Ahmen [8] tried to explore the relationship between socioeconomic and personality characteristics of ecological concerned consumers. They found that personality variables were better predictors of ecological concern than were socioeconomic variables. Those respondents who were more open to new ideas and who had strong desires to know how things worked were more ecologically concerned on the average than others. Gazda and Courely [6] assessed the attitudes of consumers toward product information, product safety, advertising, government protection, and the environment. They found that consumers desire more product information, proof of product safety in advance, more truthful ads, and products that do not pollute the environment. They also found that consumers do not support government protection as strongly as has been indicated in consumerism literature and research.

Miller [12] found that those who complained were younger, more mobile, and had better educated spouses than those who did not complain. Mason and Himes [10] found that those who took action because of dissatisfaction with a purchased appliance were from larger households, had higher incomes, and tended to be middle ages, than those who did not take action. Liefeld, Edgecombe, and White [9] found that the average consumer complainer is a middle aged, well educated, affluent, managerial-professional man or woman. Meyers and Schut [11] examined consumer attitudes toward unavailability and mispricing of advertised items by grocery stores. They reported that respondents chose to resolve the problem within the store. None of the respondents in the survey indicated that they would contact a consumer protection agency.

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Warland, Herrmann, and Willits [13] studied the attitudes and behavior of 1,215 dissatisfied consumers from a nationwide sample. They found that those who were dissatisfied with business practices and did something about it were young, and above average with respect to social status, income, education, and group membership. The most frequent action of the dissatisfied consumers was to complain personally to someone in the marketplace; approximately 32% of the actions reported were personal complaints to store managers, salesmen, clerks, or company presidents. Swan and Corbs [14] examined the influence of physical and psychological dimensions of product performance on consumer satisfaction. Swan and Combs pointed out that satisfaction is associated with performance that fulfills expectations; while dissatisfaction occurs when performance expectations are not fulfilled. Barksdale, Darden, and Perreault [3] conducted three national surveys to examine the trends of consumer attitudes toward business, product quality, advertising, and government regulation between 1971 and 1975. They found that the level of consumer discontent did not change substantially during this period. They added that the discontent expressed by consumers must be interpreted in the context of the supercharged times in which we live. Nevertheless, dissatisfaction appears to be widespread among American Consumers.

Willenborg and Pitts [16] studied the effect of gasoline prices on consumer behavior and attitudes. They found that the price mechanism was relatively ineffective in reducing consumption of gasoline when prices increased gradually over time. The phenomenon of consumer attitudinal and behavioral adjustment was evident as consumers adapted to changing levels of gasoline prices.

The review of literature indicates that previous studies of consumer attitudes and behavior were concerned with socioeconomic, demographic, and personal characteristics of dissatisfied consumers. This study assessed the attitudes of consumers toward product information, product safety, energy, advertising, consumerism, and government regulation. In addition, this study looked at satisfaction/dissatisfaction in the marketplace as a function of consumer attitudes.

#### Procedure

##### Source of Data

The data for this study were obtained in spring 1978 by the use of a mail questionnaire. The random sample consisted of 336 women between 20-65 years of age living in Des Moines, Iowa. The questionnaire contained thirty-six statements

concerned with product information, product safety, energy, advertising, government protection, and consumer activism. Additional data regarding satisfaction/dissatisfaction in the marketplace, awareness of consumer protection agencies, and socioeconomic and demographic characteristics relating to age, education, income, and occupation were also obtained.

##### Dependent Variable

The dependent variable, satisfaction/dissatisfaction in the marketplace included the subject's response to the following question: How satisfied are you with conditions in the marketplace? The response categories consisted of "Very Satisfied," "Satisfied," "Dissatisfied," and "Very Dissatisfied," coded 1 to 4.

##### Independent Variables

The thirty-six statements concerning consumer attitudes were divided into six categories and each category included six variables. The categories were concerned with product information, product safety, energy, advertising, government protection, and consumerism. The response measure used was a five-point Likert scale ranging from strongly agree to strongly disagree. The Likert approach allows respondents to indicate levels of agreement or disagreement and also provides for uncertain answers. A strongly agree response received 5 points, while a strongly disagree response received one point.

##### Method of Analysis

Multivariate regression was used to analyze the data. The thirty-six statements were divided into six groups, and either one or two multiple regressions were run on each of the groups for the dependent variable, satisfaction/dissatisfaction in the marketplace. Variables correlated at .50 or higher were run in separate regressions within each group. Variables that had a *t* statistic of more than 1.645 in the preliminary regressions were included in the final regression.

The ordinary regression coefficient (*b*) of each independent variable was converted into a standardized regression coefficient (*b*-*std*). Beta coefficients were used to determine the relative importance of each dependent variable in the regression. The coefficient of multiple determination (*R*) was used to measure the proportion of the original variance in the dependent variable explained by all independent variables.

## RESULTS AND DISCUSSION

### Product Information

The six statements relating to product information can be seen in Table 1. Consumers were concerned with the availability and usefulness of product information. They were concerned about the difficulty they experienced in getting sufficient information on which to base their buying decisions. The majority of the respondents (96%) agreed that products should carry an information tag which would give information about performance, care, and other characteristics of the product. About 66% of the consumers wanted the government to test competing brands of products and provide the results of the tests to consumers. In addition, 86% of the respondents felt that business should be required to supply more information to consumers indicating that advertisements were not reliable sources of information about the performance of products. The results support the findings by Barksdale and Darden [2]; Gazda and Courley [6]; and Stanley and Robinson [13].

### Product Safety

The six statements relating to product safety can be seen in Table 2. The responses to the statements in the area of product safety suggest that consumers support stronger regulation of the safety of consumer products. Although consumers believed that manufacturers make an effort to establish safety standards for consumer products, there appears to be lack of confidence in the manufacturer's role in establishing safety standards. For example, 44% of the respondents agreed that industry, rather than government should establish safety standards for consumer products while 92% stated that manufacturers should be forced to prove that a product is safe before it can be sold to consumers. Since 69% of the consumers believe that business will correct safety defects if they are forced to, they are indicating that they distrust big business more than they distrust the federal government. Consumers are concerned with product safety and they do not believe that the lack of product safety situation has been exaggerated although 53% of the respondents admit that most accidents that occur involving products are caused by the carelessness of consumers.

### Energy

The responses relating to the area of energy reveal that consumers are concerned with the energy problem and the majority of them expressed the opinion that the big companies, the government,

and the consumers are not doing enough to conserve energy (Table 3). For example, 89% of the respondents believed that the big oil companies and the government are not doing enough to conserve energy and 86% of them expressed agreement with the statement that consumers are not also doing enough to conserve energy. Although the majority of the respondents felt that the big oil companies, the government, and the consumers are not doing enough to conserve energy, only 45% of them wanted government to regulate fuel during an energy crisis; 31% were uncertain; and 24% were against government intervention. About 76% of the consumers agreed that fuel prices are higher than they should be while 53% of all consumers felt that the big oil companies have manufactured the fuel shortage to raise prices. Less than half of the respondents (42%) believed that the service stations are taking advantage of the gasoline shortage by charging higher prices.

### Advertising

The responses of the statements relating to advertising reveal that the efforts of government and business to improve the level of advertising practice and performance had little influence in changing the public's image of advertising (Table 4). The majority of the respondents agreed that (1) many advertisers make false claims about their products, (2) advertising tries to persuade consumers to buy products they don't really need, (3) companies should be forced to correct false advertising, (4) advertisements should provide adequate information about product quality, (5) companies should prove in advance any claims which they plan to use in their advertisements, and (6) the government should be stricter in policing advertising.

Consumers tended to believe that advertisements were not typically truthful and accurate and the majority of the respondents (91%) agreed that companies should prove in advance any claims which they plan to use in their advertisements. The results are in agreement with the findings by Gazda and Courley [6]; and Stanley and Robinson [13].

### Government Protection

The responses summarized in Table 5 provide insights concerning consumer attitudes toward government intervention in marketing activities. The majority of the respondents agreed that additional governmental regulation is needed to protect consumers. More specifically, 90% of the consumers indicated that laws are necessary to protect consumers in the marketplace; while 74% of them favored the employment of a professional

in the local government to receive consumer complaints. About two-thirds of the respondents agreed that the government should set minimum standards of quality for products sold to consumers and 54% of them stated that the government should exercise more responsibility for regulating marketing activities by manufacturers. Only 22% of the sample indicated that the present federal regulating agencies are sufficient to protect consumers against fraud while 15% stated that the government control over the drug industry is too strict.

The results indicate that the majority of the respondents agreed that additional governmental regulation is needed to protect consumers in the marketplace. The results support the findings by Stanley and Robinson [13].

#### Consumer Activism

The findings in Table 6 indicate that public faith in consumerism is rising. Seventy-three percent of the consumers believed that the public should be allowed to become involved in the setting of public utility rates and policies. Only 21% of the respondents agreed that consumer organizations are meddling too much in the free enterprise system while 66% expressed agreement that a strong consumer movement is needed to balance the power of business in our society. About 79% of the consumers disagreed with the statement that consumer problems are not very important in relation to other major social issues while 65% disagreed with the idea that consumerism has not been an important factor in changing business practices and procedures. Sixty-two percent of the respondents believed that the exploitation of consumers by business firms deserves more attention than it receives. The results support the findings by Gazda and Corley [6]; and Barksdale, Darden and Perreault [3].

#### Satisfaction/Dissatisfaction In The Marketplace

##### Sample Characteristics

The 336 women in the sample were between 20-65 years of age. Seventy-seven percent of them were married, 13% were separated, widowed, or divorced, and 10% were single. Forty-one percent of the respondents were under 35 years of age, and 21% were 55 years or older. Thirty-four percent of the women had high school education, 15% had business or vocational training, and 43% had one or more years of college. Thirty-four percent of the respondents had incomes between \$15,000 and \$24,000, and 42% had

incomes over \$25,000. Forty-nine percent of the women rated themselves as moderate in their orientation to public issues, 31% as conservatives, and 20% as liberal.

#### Preliminary Regression--Product Information

The six statements relating to product information can be seen in Table 1. The statement which deals with difficulty for consumers to get sufficient information about products before making a purchase had a *t* statistic of more than 1.645 in the preliminary regression and was included in the final regression. This variable was significant at the .01 level in the preliminary regression.

#### Preliminary Regression--Product Safety

The statements concerning consumer attitudes toward product safety are shown in Table 2. Statements 3, 4, and 6 met the criteria for inclusion in the final regression. The two statements that "businessmen are very concerned with designing and producing safe products," and "the lack of product safety has been exaggerated" were significant at the .01 level in the preliminary regression.

#### Preliminary Regression--Energy

The six statements relating to energy can be seen in Table 3. None of the energy statements met the criteria for inclusion in the final regression.

#### Preliminary Regression--Advertising

The statements concerning consumer attitudes toward advertising are shown in Table 4. None of the advertising variables met the criteria for inclusion in the final regression.

#### Preliminary Regression--Government Protection

The statements concerned with government protection can be seen in Table 5. Statements 2 and 4 had a *t* statistic of more than 1.645 in the preliminary regression and were included in the final regression. The statement that "the government should set minimum standards of quality for all products sold to consumers" was significant at the .05 level in the preliminary regression.

#### Preliminary Regression--Consumer Activism

The statements relating to consumer activism are shown in Table 6. The statement that "the exploitation of consumers by business firms de-

deserves more attention than it receives" met the criteria for inclusion in the final regression.

#### Final Regression

The following statements met the criteria for inclusion in the final regression (Table 7): (1) it is difficult for a consumer to get sufficient information about products before making a purchase, (2) most accidents that occur involving products are caused by the carelessness of consumers, (3) businessmen are very concerned with designing and producing safe products, (4) the lack of product safety has been exaggerated, (5) there should be a professional employed in the local government to receive consumer complaints, (6) the government should set minimum standards of quality for all products sold to consumers and (7) the exploitation of consumers by business firms deserves more attention than it receives.

The coefficient of multiple determination ( $R^2$ ) for the sample was .10, which was significant at the .01 level (Table 7). In terms of beta coefficients, the statement that "businessmen are very concerned with designing and producing safe products" was the only significant variable in the final regression and was positively related to satisfaction in the marketplace (Table 7). The finding indicates that consumers who are expressing a vote of confidence in business are more likely to be satisfied in the marketplace compared to those who do not express similar beliefs. In other words, respondents who do not believe that businessmen are very concerned with designing and producing safe products are more likely to be dissatisfied in the marketplace. This result indicates that consumer attitude toward business is an important factor in determining satisfaction/dissatisfaction in the marketplace. This finding suggests that business needs to educate the public about the operations of the market, the benefits of the free enterprise system, and the social responsibility of manufacturers in designing and producing safe products offered to consumer, and, thus, by providing direct channels of communication, perhaps, the public may have more confidence in business, which eventually may result in consumer satisfaction in the marketplace.

#### Conclusions and Implications

This study was concerned with satisfaction/dissatisfaction in the marketplace as a function of consumer attitudes. The findings of this research are limited to the wife's attitudes and the wife's perception of satisfaction/dissatisfaction in the marketplace.

Consumers do appear to want more product information, safe products, truthful ads, government protection, and more involvement in the setting of public utility rates and policies. The findings of this study suggest the following conclusions:

1. Consumers are concerned with the availability and usefulness of product information. They are concerned about the difficulty they experience in getting sufficient information on which to base their buying decisions.
2. Consumers are concerned with product safety and they do not believe that the lack of product safety situations has been exaggerated.
3. The majority of the respondents feel that the big oil companies, the government, and the consumers are not doing enough to conserve energy, and 45% of them wanted the government to regulate fuel during an energy crisis.
4. The responses to the statements relating to advertising reveal that the efforts of business and government to improve the public's image of advertising practice had little influence on the respondents in this research.
5. The majority of the respondents agree that additional governmental regulation is needed to protect consumers in the marketplace.
6. Seventy-three percent of the consumers believe that the public should be allowed to become involved in the setting of public utility rates and policies, and 62% of them indicated that the exploitation of consumers by business firms deserves more attention than it receives.

Consumers who are dissatisfied with products or services and are unable to obtain satisfaction from business voice their dissatisfaction with inferior products and services by complaining to consumer complaint agencies. Government and business have become more concerned with measuring satisfaction/dissatisfaction of consumers in the marketplace. Consumer complaints can be used to reduce the problems consumers face in the marketplace. Business needs to measure how well their products and services are meeting the needs of the public and the safety and performance expectations of consumers. Consumers desire more product information, safe products, truthful ads, government support, and more involvement in public policies.



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Table 1--Attitudes Toward Product Information

| Statement                                                                                                                     | Agree | Uncertain | Disagree |
|-------------------------------------------------------------------------------------------------------------------------------|-------|-----------|----------|
| The government should test competing brands of products and make the results of these tests available to consumers.           | 66%   | 8%        | 26%      |
| Business should be required to supply more information to consumers.                                                          | 86%   | 8%        | 6%       |
| Products should carry an information tag which would give information about performance, materials, care and characteristics. | 76%   | 3%        | 1%       |
| Consumers have enough information on which to base their buying decisions.                                                    | 14%   | 15%       | 71%      |
| Advertisements are reliable sources of information about the performance of products.                                         | 10%   | 11%       | 79%      |
| It is difficult for a consumer to get sufficient information about products before making a purchase.                         | 51%   | 17%       | 32%      |

N = 336.

Table 2--Attitudes Toward Product Safety

| Statement                                                                                          | Agree | Uncertain | Disagree |
|----------------------------------------------------------------------------------------------------|-------|-----------|----------|
| Business will correct safety defects of products only if they are forced to.                       | 69%   | 8%        | 23%      |
| Industry, rather than government, should establish safety standards for consumer products.         | 44%   | 14%       | 42%      |
| Most accidents that occur involving products are caused by the carelessness of consumers.          | 53%   | 30%       | 17%      |
| Businessmen are very concerned with designing and producing safe products.                         | 33%   | 27%       | 40%      |
| Manufacturers should be forced to prove that a product is safe before it can be sold to consumers. | 92%   | 6%        | 2%       |
| The lack of product safety has been exaggerated.                                                   | 20%   | 27%       | 53%      |

N = 336.

Table 3--Attitudes Toward Energy

| Statement                                                                             | Agree | Uncertain | Disagree |
|---------------------------------------------------------------------------------------|-------|-----------|----------|
| Fuel prices are higher than they should be.                                           | 72%   | 15%       | 9%       |
| The big oil companies have manufactured the fuel shortage to raise prices.            | 53%   | 27%       | 20%      |
| Service stations are taking advantage of gasoline shortage by charging higher prices. | 42%   | 20%       | 38%      |
| Big companies and the government are not doing enough to conserve energy.             | 89%   | 5%        | 6%       |
| The government should regulate fuel during the energy crisis.                         | 45%   | 31%       | 24%      |
| Consumers are not doing enough to conserve energy.                                    | 86%   | 6%        | 8%       |

N = 336.

Table 4--Attitudes Toward Advertising

| Statement                                                                                                  | Agree | Uncertain | Disagree |
|------------------------------------------------------------------------------------------------------------|-------|-----------|----------|
| Many advertisers make false claims about their products.                                                   | 87%   | 6%        | 7%       |
| The government should be stricter in policing advertising.                                                 | 61%   | 18%       | 21%      |
| Advertisements should provide adequate information about product quality.                                  | 94%   | 5%        | 1%       |
| Companies should prove in advance any claims which they plan to use in their advertisements.               | 91%   | 5%        | 4%       |
| If a company uses false advertising, it should be forced to correct such statements in future advertising. | 98%   | 1%        | 1%       |
| Advertising tries to persuade consumers to buy products they don't really need.                            | 87%   | 3%        | 10%      |

N = 336.

Table 5--Attitudes Toward Government Protection

| Statement                                                                                                                            | Agree | Uncertain | Disagree |
|--------------------------------------------------------------------------------------------------------------------------------------|-------|-----------|----------|
| Government control over the drug industry to insure the safety of drugs is too strict.                                               | 15%   | 13%       | 72%      |
| There should be a professional employed in the local government to receive consumer complaints.                                      | 74%   | 12%       | 14%      |
| Laws are necessary to protect the consumer in the marketplace.                                                                       | 90%   | 5%        | 5%       |
| The government should set minimum standards of quality for all products sold to consumers.                                           | 65%   | 13%       | 22%      |
| Present federal regulatory agencies are sufficient to protect the consumer against fraud and other unethical practices.              | 22%   | 22%       | 56%      |
| The government should exercise more responsibility for regulating the advertising, sales, and marketing activities by manufacturers. | 54%   | 23%       | 23%      |

N = 336.

Table 6--Attitudes Toward Consumer Activism

| Statement                                                                                                           | Agree | Uncertain | Disagree |
|---------------------------------------------------------------------------------------------------------------------|-------|-----------|----------|
| Consumer organizations are meddling too much in the free enterprise system.                                         | 21%   | 22%       | 57%      |
| The public should be allowed to become involved in the setting of public utility rates and policies.                | 73%   | 14%       | 13%      |
| A strong consumer movement is needed to balance the power of business in our society.                               | 66%   | 23%       | 11%      |
| Relative to other major issues, consumer problems are not very important.                                           | 12%   | 9%        | 79%      |
| Consumerism or the consumer crusade has not been an important factor in changing business practices and procedures. | 13%   | 22%       | 65%      |
| The exploitation of consumers by business firms deserves more attention than it receives.                           | 62%   | 27%       | 11%      |

N = 336.

Table 7--Regression of Satisfaction/Dissatisfaction in the Marketplace

| Variable                                                                                               | b value | Beta value | t value |
|--------------------------------------------------------------------------------------------------------|---------|------------|---------|
| Product Information                                                                                    |         |            |         |
| It is difficult for a consumer to get sufficient information about products before making a purchase   | -.05    | -.08       | -1.46   |
| Product Safety                                                                                         |         |            |         |
| 1. Most accidents that occur involving products are caused by the carelessness of consumers.           | .05     | .08        | 1.34    |
| 2. Businessmen are very concerned with designing and producing safe products.                          | .09     | .14        | 2.53*   |
| 3. The lack of product safety has been exaggerated.                                                    | .06     | .09        | 1.52    |
| Government Protection                                                                                  |         |            |         |
| 1. There should be a professional employed in the local government to receive consumer complaints.     | -.03    | -.04       | -.72    |
| 2. The government should set minimum standards of quality for all consumer products sold to consumers. | -.03    | -.06       | -1.05   |
| Consumer Activism                                                                                      |         |            |         |
| The exploitation of consumers by business firms deserves more attention than it receives.              | -.03    | -.05       | -.77    |
| R <sup>2</sup>                                                                                         | .10*    |            |         |

\* Significant at the .01 level.



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# ABSTRACT

A content analysis of a Canadian newspaper was conducted for information on inflation. A constructed week for each season in each of two years (1974 and 1980) was used. There were fewer inflation-related statements made in 1980 than in 1974. Most of the statements were on measurements of inflation, rather than on causes and solutions or how people cope with inflation. The statements were located in the news or business section. The federal government rather than consumer columnists, economists or professors was the source of information. Implications are presented for using daily newspapers to educate consumers about inflation.

The Canadian economy tends to parallel or follow trends in the American economy. In the past decade, the prices of goods and services in Canada have been increasing at a rate far beyond that of previous years. Based on the Consumer Price Index, the first recorded double-digit inflation rate since the late 1940's occurred in 1974 when the rate was 11.7 (20). Subsequently, the Consumer Price Index has ranged from a low of 7.4 in 1977 to 9.4 in 1980 (19,20).

In the 1970's, inflation became a household word and a fact of life faced by consumers who anticipate that inflation will continue in our society (10,13). In recent studies on the impact of inflation on families, a number of families stated they have some strain and/or have not been able to maintain their life styles (8,21). It has been suggested that we all lose from continuing inflation because it undermines consumers' confidence in the ability of society to control the situation (10). Although the effect of inflation on consumers is determined by the disparity between increasing prices and increasing income, Katona (13) maintains that the psychological power of inflation causes the consumer to spend more and save less, regardless of increasing disposable income. This drive to purchase goods before their price increases or before the current value of the money decreases might produce some anxiety in the consumer. The anxiety could lead to increased awareness of, interest in, or a demand for information about inflation and the economy.

Since consumers report that inflation has had some impact on their life styles, we would expect them to want information about ways to manage

resources in inflationary times, and to glean some understanding of the dynamics of the causes and suggested solutions for slowing down inflation. One potential source for such information is the daily newspaper. Printed media allow the consumer to reread and contemplate information. Of the printed media, newspapers are likely to be available to and read by more people than magazines; newspapers tend to present information in shorter articles than magazines and the condensed, clear form may encourage reading of the entire article; and newspapers are read by relatively large segments of the adult population regardless of socioeconomic characteristics (3,4).

Consumer educators frequently look for current information to make topics relevant to the student. Often teachers suggest that the student "read a newspaper" in order to relate daily happenings to the economic concepts they are learning in the classroom. Newspapers have been used effectively in the classroom (9) especially in combination with other resources. Most adults are not in a classroom setting where they would be exposed to studying economic concerns such as inflation. The media may be their major source of such information, but how comprehensive a source is debatable. In listing recent topics which they had presented in their columns, a group of 135 consumer journalists did not include inflation. However, they did list inflation as generating a number of questions they received from their readers. Only energy issues and government regulations elicited a greater response (15). Another study, which focused on content desired in newspapers by various age groups, confirmed the desire by the 25-44 age group to have additional information on consumer topics such as how to get a good buy. The respondents viewed television as the best source of news, but newspapers as the best source for consumer information and advertising (16).

Newspapers were the form of media used for this study. The primary objectives of this study were to assess the location and amount of information on inflation in newspapers; to note changes from 1974 (first year of double-digit inflation) to 1980 in the amount and scope of information on inflation; and to present implications for using newspapers as a source in educating consumers about inflation.

## Methods

Content analysis allows the researcher to analyze the message quantitatively, objectively, and systematically within a limited time frame and for a data base that could be too large for complete

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investigation. Since we were focusing on the message, i.e., the number of statements about inflation, within definable categories, and were not studying the message's communicator or audience, content analysis is an appropriate technique (12).

Three distinct decisions must be made in using content analysis: 1) the titles and media to study; 2) which issues to sample; and 3) what content to sample within the selected issues (2).

As previously stated, newspapers were selected to be analyzed for messages on inflation. It is estimated that 84 to 90 percent of the U.S. adult population read a newspaper in the past week (3); and that two-thirds of the Canadians surveyed read all or part of a daily newspaper (4). Apparently, time allocated to one medium, e.g., television, does not decrease time spent for another e.g., newspapers (11).

The newspaper selected was the Vancouver Sun. According to ABC FAS-FAX circulation averages (1), the evening edition is received by 41.2 percent of the households in the Greater Vancouver area. The paper is the most widely circulated newspaper in the area. As it is an evening paper, the readership tends to be families and individuals rather than businessmen. It should also be mentioned that this paper had published a questionnaire (March 16, 1981) on inflation in the YOU section of the paper. We felt that this demonstrated an interest in inflation by the newspaper and by the consumers who responded.

A sample of 48 issues was selected with 24 issues from 1974 and 24 from 1980. The reason for selecting 1974 was that it was the first year in the 1970's in which double-digit inflation occurred; the reason for selecting 1980 was that it was the latest complete year and inflation as measured by the Consumer Price Index was still high at 9.4 (19,20). Since newspapers tend to focus on current "new" information, they would probably have considerable information on inflation when double-digit inflation is a reality and a new occurrence. By 1980, it was hypothesized that information about inflation would be less of a "new" occurrence and that the newspapers might have less information about it. The middle years, 1976-78, were avoided as these were years of wage and price controls in Canada, which would have overshadowed information on other aspects of inflation concerns.

In order to prevent any one season or week from being overrepresented in the sample, a constructed week (5) was drawn from each of the four seasons. Starting with the first Monday occurring in the first month of each season (January, April, July, and October), one week of 6 days was constructed by taking a diagonal of dates. On this basis the second Tuesday, the third Wednesday, the fourth Thursday, and so forth continuing into the second month were selected.

A review of literature (6,7,8,10,13,14,17,18, 20,21) provided the basis for constructing a code sheet to be used in the content analysis. The categories selected for the content analysis were causes of inflation (demand-pull, cost-push, imported cost-push, and tax cost-push); solutions for inflation (fiscal policy, monetary policy, wage and price controls, combination, and consumers lowering expectations); adapting to inflation -- what the experts suggest (efforts to raise income, reduction in expenditures, increased efficiency, and use of credit); and adapting to inflation -- what people actually do (same subcategories as for the experts): impact of inflation (on the corporate sector, public sector, and family or individual); and measures of inflation (unemployment rate, CPI, and changing wages).

For each statement in the categories, source of information (U.S., Canadian, individual provinces, or United Kingdom) was noted to determine the quantity of information that was Canadian. An excess of U.S. information would be misleading to the average consumer who may not have enough background to interpret the information and to know when it is or is not appropriate for the Canadian setting. In addition, the statement source (government, university professor, financial expert, economist, or consumer columnist) was noted.

General information about the article was obtained. This included the section of the paper, the type of article (news, editorial, feature, column, letter), the news service, and direction of the article. The direction of the content of the article was either directly or indirectly related to inflation. This distinction was made as there were many subtopics that the consumer might not be aware of as related to inflation. The content was coded as indirectly related if an explicit statement about inflation was not made.

Content concerning increased gold and silver prices, Dow Jones averages, or the energy crisis was not included in this study. While these items have impact on the global scope of inflation, they are, on the most part, a separate concern to the average consumer.

After the code sheet was developed, it was tested by both coders on several newspapers and definitions were further clarified to assure that the categories were mutually exclusive, an important criterion for content analysis (12). The coders were Family Science graduates who had completed at least 4 courses in economics and consumer studies. One of the coders had assisted in the literature review and initial establishing of the categories; the other coder rechecked the accuracy of the categories. Training included coding several newspapers together, then separately, then exchanging and checking each other's coding skills.

By using a carefully designed coding sheet, it is possible to have two or more coders apply the same rules to the same content and obtain the

same results (2). The two coders must be in at least 85 percent agreement on the results in order for the research to be reliable (5). Tests for reliability were implemented by having the two coders recode each other's designated newspapers at periodic intervals. The reliability results were within the 85 percent limit.

#### Results

The content analysis revealed 1426 statements on inflation, almost 3 statements per scored article. Of the 1426 statements, more were made in 1974 than in 1980 (837 and 589 statements respectively). Only a third of the statements could be categorized as directly related to inflation.

Slightly over half of the statements appeared in articles placed in the upper left hand corner of the page. The statements appeared primarily in the front news (52 percent) or the business section (29 percent) with only 10 percent in the YOU section (life style section which includes the consumer column). Overwhelmingly, the type of article was "news". About half of the statements were made by a news service (primarily unspecified or either the Canadian or Associated Press), then by the staff of the Vancouver paper (40 percent). Two thirds of the statements were Canadian in content with only 22 percent of the information on inflation being U.S. in content.

The federal government was the main source of information for the statements (26 percent) with the media (16 percent), no source (13 percent) or pressure groups (12 percent) being other major sources. Professors, economists, and consumer columnists were rarely the source of information (less than 3 percent for each).

As shown in Table 1, there were more statements made in 1974 than in 1980. In both years, most of the statements made on inflation were in the category of measurement, the fewest were in the category of personal adaptation. Only one category, adaptation and what the experts say, remained the same in number of statements for both years.

TABLE 1. Statements on Inflation

| Categories  | 1974 |     | 1980 |     |
|-------------|------|-----|------|-----|
|             | No.  | %   | No.  | %   |
| Causes      | 86   | 10  | 41   | 7   |
| Solutions   | 151  | 18  | 98   | 16  |
| Adaptation: |      |     |      |     |
| Experts     | 48   | 6   | 49   | 8   |
| Adaptation: |      |     |      |     |
| Personal    | 30   | 4   | 22   | 4   |
| Impact      | 92   | 11  | 80   | 14  |
| Measurement | 430  | 51  | 299  | 51  |
| TOTAL       | 837  | 100 | 589  | 100 |

A closer look at the number of statements on causes of inflation reveals that in 1974, statements about demand-pull and cost-push inflation were about equal. In 1980, the majority of statements were classified as demand-pull (see Table 2).

TABLE 2. Statements on Causes of Inflation

| Categories         | 1974 |    | 1980 |    |
|--------------------|------|----|------|----|
|                    | No.  | %  | No.  | %  |
| Demand-Pull        | 41   | 48 | 35   | 86 |
| Cost-Push          | 37   | 43 | 4    | 10 |
| Imported Cost-Push | 7    | 8  | 1    | 2  |
| Tax Cost-Push      | 1    | 1  | 1    | 2  |

As shown in Table 3, the largest number of statements were on fiscal policy as a solution for inflation for both 1974 and 1980. In 1974, more statements were made on wage and price controls and fewer on monetary policy than in 1980.

TABLE 3. Statements on Solutions for Inflation

| Categories                      | 1974 |    | 1980 |    |
|---------------------------------|------|----|------|----|
|                                 | No.  | %  | No.  | %  |
| Fiscal Policy                   | 67   | 44 | 55   | 56 |
| Monetary Policy                 | 25   | 17 | 30   | 31 |
| Wage & Price Controls           | 49   | 32 | 10   | 10 |
| Combination                     | --   | -- | 1    | 1  |
| Consumers Lowering Expectations | 10   | 7  | 2    | 2  |

Adapting to inflation was classified as what the experts suggest and what people are actually doing. As shown in Table 4, over half of the statements made by the experts in 1974 reflected reducing expenditures, e.g., ways to cut food costs and buying fewer garments but of better quality; an additional 35 percent reflected increasing efficiency through bargain hunting, energy conservation, greater self-reliance, and tax shelter investments. In 1980, these two categories contained the most statements, but statements on increased efficiency were the most frequent followed by reducing expenditures. Using credit to aid in coping with inflation was rarely mentioned.

TABLE 4. Statements on Adapting to Inflation: Experts

| Categories          | 1974 |    | 1980 |    |
|---------------------|------|----|------|----|
|                     | No.  | %  | No.  | %  |
| Increase Income     | 4    | 8  | --   | -- |
| Reduce Expenditures | 26   | 54 | 15   | 31 |
| Increase Efficiency | 17   | 36 | 33   | 67 |
| Use Credit          | 1    | 2  | 1    | 2  |

As shown in Table 5, about half of the statements in 1974 on what people are actually doing to cope with inflation were classified as efforts to raise income (additional worker, working at another job); and about half in 1980 were on increasing efficiency through bargain hunting, greater self-reliance (do-it-yourself) and energy conservation. Using credit was not mentioned in either year.

TABLE 5. Statements on Adapting to Inflation: Personal

| Categories          | 1974 |    | 1980 |    |
|---------------------|------|----|------|----|
|                     | No.  | %  | No.  | %  |
| Increase Income     | 16   | 53 | 6    | 27 |
| Reduce Expenditures | 6    | 20 | 5    | 23 |
| Increase Efficiency | 8    | 27 | 11   | 50 |
| Use Credit          | --   | -- | --   | -- |

In both years, the statements reflected an impact on the corporate sector and to a lesser extent on the individual (see Table 6).

TABLE 6. Statements on Impact of Inflation

| Categories       | 1974 |    | 1980 |    |
|------------------|------|----|------|----|
|                  | No.  | %  | No.  | %  |
| Corporate Sector | 52   | 56 | 41   | 51 |
| Public Sector    | 9    | 10 | 7    | 9  |
| Individuals      | 31   | 34 | 32   | 40 |

The number of statements on measurements related to inflation are presented in Table 7. Almost half of the statements in both years were about increasing prices. Of the statements, 20 percent in both years mentioned the Consumer Price Index. There were slightly more statements on the unemployment rate in 1980 than in 1974.

TABLE 7. Statements on Measurement of Inflation

| Categories           | 1974 |    | 1980 |    |
|----------------------|------|----|------|----|
|                      | No.  | %  | No.  | %  |
| Unemployment Rate    | 75   | 17 | 69   | 23 |
| Wages                | 74   | 17 | 23   | 8  |
| Consumer Price Index | 85   | 20 | 60   | 20 |
| Increasing Prices    | 196  | 46 | 147  | 49 |

#### Discussion and Implications

Information on inflation in the Canadian newspaper was limited in quantity and in scope. As anticipated, the amount of information had decreased since 1974, the date when double-digit inflation was a new occurrence and considered a "news" item. During the six year period, inflationary trends had continued; the leadership

of the nation had changed only briefly; and wage and price controls had ended. Given these facts, it is not surprising that the quantity of information was less in 1980, a year of high (CPI = 9.4), but not double-digit inflation.

During that six year period, consumers might have grown accustomed to inflation and might have anticipated its continued existence (10, 13). However, they continue to express a desire for additional information on consumer topics, of which inflation is a prime example (15) and they turn to newspapers as the best source of such consumer information (16). In seeking information on consumer topics, they might focus on the lifestyle section where the consumer columns are presented rather than the business or news sections. If so, they would receive limited knowledge on a daily basis, as the majority of the information on inflation appears in either the news or business section.

The source of the information may reflect the quality of it. Those whom we might expect to be presenting the information -- professors, economists and consumer columnists -- were rarely noted as the source. At times, the source was not known. If increased information on inflation in newspapers is desired and promoted, these efforts will be inadequate unless the credibility of the information is increased as well. The information presented tended to be Canadian which means that the reader does not have to assess the applicability of the data for the Canadian setting.

The content analysis categories were designed to present a fairly comprehensive understanding of inflation, similar to what might be included in an introductory course unit on inflation. Some information was found in all of the areas, but the quantity in most areas was low. If the kind of information consumers want is on how to cope with inflation or how their wages are keeping up with prices, the newspaper supplies adequate data only on the latter. The focus is not on methods of coping with inflation, either at a personal level or advice from experts. Another indicator of the limited concern for the consumer and inflation is shown by the small number of statements reflecting the impact of inflation on families and individuals. Both of these patterns plus studies on information desired by consumers (15,16) lend support for consumer columnists and/or consumer educators to encourage inclusion of feature articles on these topics.

Over time, newspaper articles have been printed on each of the categories included in this content analysis study. The newspaper may best be used as a supplement to other materials presented in the classroom since it does provide current news, e.g., wages and their relationship to prices. A serious limitation of newspapers as a source of consumer knowledge on inflation is the scarcity of material written by professionals about dealing with the consequences of inflationary trends. As a result, adult consumers, who may not have access to consumer education courses



or community lectures on inflation, are not likely to increase their knowledge on coping with or understanding the dynamics of inflation by reading a daily newspaper.

As consumer educators in our various professional roles, we have the expertise to assist in increasing the quantity and scope of information about inflation in newspapers. Consumers seem to want this information and it currently is not in large supply.

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## 1981 BANKRUPTCY STUDY

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### Abstract

This study is based on interviews and petition data of 1,199 debtors who filed for bankruptcy in ten states in mid-1981. Analysis of their ability to repay nonmortgage consumer debts from future income revealed two distinct groups. About one-fourth could have repaid more than three-fourths of their nonmortgage consumer debts within 36 months, but half of the sample had no ability to repay. Differences between these two groups are examined as a guide to formulating public policy regarding consumer bankruptcies.

This research focuses on two distinct groups of consumers revealed by analysis of a sample of debtors who filed for bankruptcy (chapter 7) in the late spring of 1981: (1) those who could have repaid a reasonable portion of their debts out of expected future income; and (2) those whose debts were so large in relation to their income that they had no ability to repay their debts from future income. At issue is whether adjustments in public policy regarding consumer bankruptcies are warranted with respect to the first group and whether adjustments in the credit system are needed and feasible in relation to the second group, or whether other legislative changes are needed with respect to this second group as well.

### Origins of Consumer Bankruptcy Relief

Bankruptcy was originally designed for the protection of creditors in order to provide an orderly distribution of business assets in the event of insolvency. Many business debts were secured by assets, and creditors typically brought legal action to force the debtor into bankruptcy in order to recover those assets. Because a failed business firm had no continuing life and income, no provision was made for payment of debts out of future income. Unpaid debts were made dischargeable in England in 1705, and in the United States under the Bankruptcy Act of 1898, but this policy is generally found only in nations with legislation based on English law.

The Bankruptcy Act of 1898 also provided for voluntary relief (at the debtor's initiative) without regard to a debtor's expected future income

or level of indebtedness. Applied to business firms, this policy had little or no effect. Voluntary filings were infrequent, and seldom was there any expected future income.

Even when this business-oriented policy was applied to consumer debtors, few questioned the appropriateness of the policy until consumer debts and bankruptcies rose to a significant level. Beginning in 1963, several studies were made to determine the ability of consumers filing for bankruptcy to repay their debts out of future income (1,4,7,8). At hearings in 1967 before a subcommittee of the Committee on the Judiciary, U.S. House of Representatives, several witnesses argued that, since the grant of credit was based on expectations of future income, it seemed inappropriate not to consider future income in reviewing a consumer's eligibility for chapter 7 bankruptcy (12, pp. 27-44). The issue was also considered by the Commission on Bankruptcy Laws of the United States (7, pp. 158-159).

The data base underlying this study is more comprehensive than any available in earlier studies that assessed the ability of consumers filing for bankruptcy to repay their debts from future income. More debtors were surveyed and more information was gathered from personal interviews with debtors, as well as from debtors' bankruptcy petitions.

### Origins of the 1981 Bankruptcy Study

This study was made possible with the financial support of a broadly representative industry group called the National Coalition for Bankruptcy Reform. However, the Credit Research Center (CRC) conducted the research under an agreement that CRC would be completely free to conduct the study and publish the results, regardless of whether the findings were "palatable" to the funding organizations.

In addition, the research was structured to avoid possible bias. The questionnaire to be administered to debtors was prepared by the CRC staff and modified on the basis of suggestions from members of the staff of Arthur D. Little, Inc. (ADL) and Opinion Research Corporation (ORC). ADL had prime responsibility for designing the sampling plan. Interviewing of the debtors, gathering of the data from their bankruptcy petitions, and coding and tabulating the data were tasks assigned solely to ORC staff. The analysis of the data was the responsibility of the authors of this paper. Members of the credit industry did not take part in any stage of the questionnaire design or data collection and analysis.

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## The Data Base

We relied on Blair Shick of ADL to select five states with high exemption levels and five with low exemption levels. The low-exemption states were Georgia, Illinois, Louisiana, Ohio, and Virginia; the high-exemption states were California, New York, Pennsylvania, Texas and Wisconsin.<sup>4</sup> Debtors filing for chapter 7 were interviewed at 91 different hearing sites under the jurisdiction of 47 courts in 20 judicial districts. Two judicial districts were selected in each of the ten states surveyed. These ten states accounted for over half of chapter 7 and chapter 13 filings in the first 11 months of 1981.

Chapter 7 debtors were randomly selected by interviewers from ORC. A couple filing jointly was considered as one respondent, although information on income, employment, and demographic characteristics was collected for both. Interviews were obtained with 1,199 debtors, 53 percent of the 2,249 potential respondents that interviewers selected. Key data were also obtained from all debtors' bankruptcy petitions. The petition data were used for analytical purposes and to determine if there were any significant differences between respondents and nonrespondents. Tests showed that there were no significant differences between the two groups.

### Calculation of Income Available to Repay Nonmortgage Debts

Our first task was to estimate the future income that debtors could reasonably be expected to have available to apply to their existing nonmortgage debts.<sup>5</sup> We obtained each petitioner's estimate of current pretax income from the questionnaire. Taking data provided on the numbers of dependents, we then calculated the federal income tax and social security tax and subtracted these amounts, as well as alimony payments, from each debtor's pretax income. To be conservative we assumed that all debtors used the standard deduction, even though they may have been able to reduce taxes by itemizing their deductions. We added any nontaxable income, such as unemployment benefits, reported on the questionnaire. These calculations produced an "adjusted family money income" for each of the petitioners.

Second, we calculated the outlay necessary to maintain the person or family filing for bankruptcy in the same housing status held at the time of filing and to meet basic living expenses for food, clothing, and other nonhousing expenses. Housing expenses included actual rent or mortgage

payments, utilities, and any property taxes and property insurance payments. The nonhousing living expenses were based on estimates of basic living expenses prepared by the Bureau of Census (9), adjusted by us for the number of dependents, upward movements in the Consumer Price Index, and regional differences in the cost of living.

To measure the sensitivity of our subsequent calculations to estimated nonhousing living expenses, we incorporated a 20 percent "cushion" above nonhousing living expenses for comparison with estimates without the cushion. Our two estimates of total living expenses, with and without the 20 percent cushion for a family of four, bracketed the average expenses for low-income families prepared by the Bureau of Labor Statistics (11). Therefore, we believe that our estimates of basic living expenses are reasonable, especially since we accept as necessary whatever housing expenses were reported by the debtors.

In individual cases we also adjusted the basic living expenses upward by any extraordinary expenses, such as child care, child support, and medical expenses. These calculations produced an "adjusted basic living expense" for each of the petitioners.

Subtraction of adjusted basic living expenses from the adjusted family money income produced "available income" to apply to nonmortgage consumer debts. Note that we are concerned only with nonmortgage debts, since we have already allowed for a continuation of any residential mortgage payments as part of basic living expenses.

### Ability of Debtors to Repay Nonmortgage Debts

On the basis of these calculations we estimated the numbers of debtors who could repay various portions of their nonmortgage debts over periods ranging from 36 months to 60 months, with and without the 20 percent "cushion" above nonhousing expenses (2, pp. 56-64). Data based on a presumed 36-month payback period are shown in Table 1.

Table 1. Percentages of Nonmortgage Consumer Debts<sup>a</sup> That Could Be Prepaid in 36 Months From Available Income After Basic Living Expenses

|         | Could Repay  | N     | Percent | Cumulative Percentage |
|---------|--------------|-------|---------|-----------------------|
| Group A | 100% or more | 217   | 20.3    | 20.3                  |
| (26.0%) | 75% to 99.9% | 61    | 5.7     | 26.0                  |
| Group B | 50% to 74.9% | 57    | 5.3     | 31.3                  |
| (12.8%) | 25% to 49.9% | 80    | 7.5     | 38.8                  |
| Group C | 0% to 24.9%  | 97    | 9.1     | 47.9                  |
| (61.2%) | None         | 555   | 52.1    | 100.0                 |
|         | Totals       | 1,070 | 100.0   |                       |

<sup>a</sup>Nonmortgage consumer debt excludes mortgage and business debts.

Note: Details may not add to totals because of rounding.

Source: Credit Research Center, Purdue University, Consumer Bankruptcy Study.

<sup>4</sup> For further details, see Blair Shick, Esq., "Sampling Design and Interview Procedures," (Chapter 2), in (2)

<sup>5</sup> For further details, see Richard L. Peterson, "Bankrupt Debtors' Ability to Repay Debts," (Chapter 3) in (2).



Three major groups of debtors are readily identifiable. First, about one-fourth of the petitioners (Group A) could have repaid three-fourths of their nonmortgage consumer debts within a period of no more than 36 months. (Indeed, 13.4 percent could have repaid all of their nonmortgage consumer debts within 24 months.) These findings are fairly consistent with two recently completed independent studies based on examinations of debtors' bankruptcy petitions (3,6). Group B could have repaid 25 percent to 75 percent of their debts within 36 months. Finally, about three-fifths of the petitioners (Group C) could have paid less than one-fourth of their nonmortgage consumer debts within 36 months. The ability to repay debts varies directly with the payback period and inversely with the 20 percent cushion on nonhousing expenses. For ease in subsequent discussion, we will concentrate on the two diverse groups--Group A and Group C.

These debtors in Group C are those who needed the "fresh start" envisioned by the drafters of the Bankruptcy Act in 1898. The dominant size of this group is relatively unaffected by changes in the payback period or provision of a 20 percent cushion. The numbers are only slightly reduced when the payback period is lengthened to 60 months. With a 20 percent cushion on nonhousing expenses, the proportion of debtors in this group increases to 68.0 percent from 61.2 percent, given a 36-month payback period.

One must wonder what inefficiencies in the credit markets allowed this second group to accumulate so much debt in relation to income. Their presence in bankruptcy court is not generally attributable to unemployment. Most of the petitioners for chapter 7 were employed. Seventy-two percent of the males and 41 percent of the females reported full-time employment. If each filing is considered, whether joint or single, 78.6 percent had at least one person employed full-time. Further, 58.5 percent of the petitioners had at least one person in the household employed continuously for the 12 months prior to filing for bankruptcy.

#### Differences in Characteristics of Two Groups

In this section we analyze the different profiles of those who could have repaid at least three-fourths of their nonmortgage consumer debts (Group A) relative to those who could not have paid as much as one-fourth (Group C). This analysis provides necessary insights into the characteristics of those who would be affected by changes in policies regarding consumer bankruptcies or in the credit granting system.

#### Income

As might be expected, debtors who could have repaid a reasonable portion of their debts had significantly higher incomes than those who were clearly unable to pay. Those who could have repaid all of their debts within 36 months had average pretax incomes of almost \$18,000, a fig-

ure contrasting sharply with the average pretax income of \$5,650 for those who had no ability to repay (Table 2).

Table 2. Mean Pretax Income of Debtors and Nonmortgage Debt that Could be Repaid in 36 Months

| Could Repay  | N   | Mean Pretax Income | Mean Nonmortgage Debt | Average Debt Repayable In Three Years |
|--------------|-----|--------------------|-----------------------|---------------------------------------|
| 100% or more | 217 | \$17,944           | \$10,527              | A11                                   |
| 75% to 99.9% | 61  | 14,212             | 13,719                | \$11,775                              |
| 50% to 74.9% | 57  | 16,072             | 19,044                | 11,638                                |
| 25% to 49.9% | 80  | 14,219             | 26,952                | 10,319                                |
| 0% to 24.9%  | 97  | 12,064             | 35,545                | 5,387                                 |
| None         | 558 | 5,650              | 18,776                | None                                  |

Source: Credit Research Center, Purdue University, Consumer Bankruptcy Study.

We also calculated the ratio of the "available income" to repay nonmortgage consumer debts to the amount of pretax income for each respondent (2, pp. 65-66). On average most people with money incomes below \$10,000 had no income after living expenses to repay debts. In the \$10,000 to \$15,000 income bracket a relatively small proportion of income (an average of 2.5 percent with a 20 percent cushion and 11.7 percent with no cushion) could be devoted to repaying debts. At income levels above \$20,000, the proportion of pretax income available for debt repayments increased until it reached about 38 percent for respondents with annual incomes over \$35,000.

We asked respondents: By December of this year, how likely is it that your total monthly income from all sources will be higher or lower than it was last month? Would you say that it will definitely be higher, probably be higher, probably be lower, definitely be lower, or will it be about the same?

There was no significant difference in anticipated changes in income between the group of consumers who could have repaid more than 75 percent of their debts within 36 months (Group A) and those who could repay less than 25 percent of their debts within this period (Group C). Among each group, more than half expected their incomes to be either definitely or probably higher by the end of the year: 53.5 percent and 52.7 percent, respectively (8, p. 121).

#### Demographic Characteristics

A somewhat higher proportion of Group A were single with no children (21.6 percent) than was the case for Group C (17.3 percent).<sup>6</sup> Those who were in Group A were more likely to be employed in professional or technical jobs (12.9 percent) than those in Group C (4.7 percent). Those in Group A also were somewhat better educated than those in Group C.

<sup>6</sup> For further details, see (9, pp. 111-144).



We also asked respondents to identify the factors that led them to consider bankruptcy. In comparison to Group C, respondents in Group A were more likely to have cited abuse of credit as a causal factor and much less likely to have suffered loss of employment. Those petitioners citing marital problems, medical bills, and loss of job were more likely than the population in general to be classified as in Group C.

#### Nature of Debts

Analysis of the proportion of unsecured debt relative to total consumer debt in the portfolios of petitioners grouped by ability to repay showed no significant differences in their use of unsecured credit. Unsecured credit as a percentage of their debt portfolios ranged from 64.4 percent (Group A) to 61.1 percent (Group C).

However, consumers in Group C were more likely to have used many sources of sales credit (as contrasted to cash credit) than those in Group A (Table 3). For example, they had more credit sources per petition from dealers (4.94 v. 3.23), from medical sources (4.73 v. 4.02), from friends (2.03 v. 1.50), and from "others" (4.50 v. 3.11). It is important to keep in mind that many small and occasional creditors do not provide information to credit reporting agencies.

Table 3. Sources of Unsecured Credit

| Sources of Credit |                    | Portion of Nonmortgage Consumer Debts Repayable in 36 Months |                 |
|-------------------|--------------------|--------------------------------------------------------------|-----------------|
|                   |                    | Group A<br>>74%                                              | Group B<br><25% |
| Bank:             | a. % with loan     | 62%                                                          | 55%             |
|                   | b. # of loans      | 2.06                                                         | 2.07            |
|                   | c. average balance | \$1296                                                       | \$2197          |
| Credit Union:     | a. % with loan     | 18%                                                          | 16%             |
|                   | b. # of loans      | 1.16                                                         | 1.23            |
|                   | c. average balance | \$1660                                                       | \$1608          |
| Finance Company:  | a. % with loan     | 44%                                                          | 39%             |
|                   | b. # of loans      | 1.83                                                         | 1.66            |
|                   | c. average balance | \$1138                                                       | \$1865          |
| Retailers:        | a. % with loan     | 78%                                                          | 76%             |
|                   | b. # of loans      | 3.53                                                         | 3.82            |
|                   | c. average balance | \$527                                                        | \$476           |
| Dealers:          | a. % with loan     | 19%                                                          | 25%             |
|                   | b. # of loans      | 3.23                                                         | 4.94            |
|                   | c. average balance | \$546                                                        | \$1193          |
| Medical:          | a. % with loan     | 53%                                                          | 63%             |
|                   | b. # of loans      | 4.02                                                         | 4.73            |
|                   | c. average balance | \$393                                                        | \$393           |
| Friends:          | a. % with loan     | 8%                                                           | 13%             |
|                   | b. # of loans      | 1.50                                                         | 2.03            |
|                   | c. average balance | \$2194                                                       | \$5168          |
| Others:           | a. % with loans    | 74%                                                          | 73%             |
|                   | b. # of loans      | 3.11                                                         | 4.50            |
|                   | c. average balance | \$623                                                        | \$1672          |

\* Excluding one case for \$1,501,000 owed on a libel suit.

Source: Credit Research Center, Purdue University, Consumer Bankruptcy Study.

#### Consumers with Repayable Debts

The total nonmortgage, nonbusiness debts showing on the petitions of the 1,199 debtors interviewed amounted to \$20.3 million dollars. It is important to recognize that in the long run in a competitive market the uncollectible portion of these debts is not a wealth transfer from the credit industry to consumers, but a subsidy from consumers who pay their debts to those who do not pay. Bankruptcy losses are a cost of doing business, just as are the cost of funds and general operating costs of extending credit and collecting monthly payments. All of these costs must be covered by revenues. As costs rise in a competitive market, creditors must either increase rates of charge, raise the cash prices of goods and services, restrict credit availability to better quality credit risks, or impose more onerous credit requirements, perhaps by requiring additional collateral on credit extensions.

Of the \$20.3 million in nonmortgage, nonbusiness debts filed, only one-fourth could possibly have been repaid from the expected future income of debtors in Group A, whose average pretax income was \$17,125.<sup>7</sup> Comparison of the income level of these debtors with the income distribution among all families with instalment debts (5, p. 94) adjusted for inflation indicates that a substantial portion of the wealth transfers received by these consumers must have been from less affluent consumers who had, nonetheless, paid their debts.

Whether or not this is an acceptable wealth transfer is an issue of public policy. Proposals now before Congress would provide that an individual may not be a debtor under chapter 7 if he or she could pay a reasonable portion of debts out of anticipated future income.<sup>8</sup> Our study has not addressed the question of whether this would be a workable solution to the inter-consumer wealth transfers indicated here. However, it should be clear from these data that the proposed admission standard would not affect low-income consumers except in rare cases.

#### Consumers Unable to Repay Debts

About three-fourths of the debts filed under chapter 7 by our respondents was not repayable from future income. Nine-tenths of this nonrepayable debt was held by consumers in Group C, whose pretax income averaged \$6,600. They received a wealth transfer from other consumers who paid their debts. We have estimated that, at the time of the bankruptcy study in 1981, about 90 percent of consumers with instalment debts had incomes greater than the average income of chapter 7 debtors who were unable to repay any significant portion of their debts from anticipated income. Hence, it is reasonable to conclude that

<sup>7</sup> Calculated from (2), Exhibit 3-6, p. 57.

<sup>8</sup> S.2000 and H.R. 4786.

the subsidy to cover these charged-off debts was generally from more affluent to less affluent consumers.

Even if this subsidy is deemed to be socially acceptable, we are left with an important question. What imperfections exist in our system that permitted these consumers to become so heavily indebted? In part, the problems of this group of consumers are endogenous: unemployment, illness, and marital discord. But most consumers manage these problems without recourse to bankruptcy. Why did these consumers assume so much debt, and why did creditors permit them to do so?

Theoretically, one of the primary forces motivating consumers (and business firms) to limit their use of credit to a manageable amount, given uncertainty of future income and aversion to risk, is the expected costs of bankruptcy. As one measure of the costs of bankruptcy, we determined petitioners' net worth before and after bankruptcy. Generally, their net worth improved as a result of bankruptcy because their liabilities fell by more than their assets, which were protected in large part by exemptions. The proportionate improvement was greatest for debtors in Group C, with almost three-fourths of them experiencing gains in net worth exceeding 100 percent (Table 4).

Table 4. Changes in Net Worth in Relation to Ability to Repay Debts

| Percentage Change in Net Worth | Portion of Nonmortgage Consumer Debts Repayable in 36 Months |                 |
|--------------------------------|--------------------------------------------------------------|-----------------|
|                                | Group A<br>>75%                                              | Group C<br><25% |
| Less than 25%                  | 24.2%                                                        | 15.1%           |
| 75% to 100%                    | 13.7                                                         | 12.5            |
| 101% to 200%                   | 44.2                                                         | 58.0            |
| More than 200%                 | 18.0                                                         | 14.2            |
| Totals                         | 100.0%                                                       | 100.0%          |

$\chi^2 = 23.36$ . Significant at the ten percent level of confidence.

Source: Credit Research Center, Purdue University, Consumer Bankruptcy Study.

A second factor that might restrict consumers' use of credit might be their concern that credit would be significantly less available after bankruptcy. Although 92 percent knew that their bankruptcy would be recorded on their credit report (9, p. 58), they also believed that many sources of credit, especially sellers of goods and services, would continue to be accessible to them. Analysis of the debt portfolios of petitioners who were filing for bankruptcy for at least the second time indicated that the types and amounts of consumer credit used after a bankruptcy were not substantially different from those used before bankruptcy.

In short, the data revealing the improvements in net worth experienced by Group C consumers who filed for bankruptcy and the continued availability of credit, especially sales credit, following bankruptcy suggests no great economic impediment to consumers' becoming overindebted.

But why do creditors permit these consumers to become overindebted? Let us focus first on the supplying of credit to pre-bankrupt consumers and then to post-bankrupt consumers.

Our analysis of the data in Table 3 and elsewhere in the study suggests that creditors were probably unaware of the extent of their applicant's indebtedness. Most small creditors, especially retailers, do not report credit applications and collection experience to credit reporting agencies. These creditors use manual systems that would be too costly and unreliable to include in credit reports. Further, credit reporting agencies typically learn of medical debts and debts to miscellaneous creditors only after they are sufficiently delinquent that they are turned over to collection agencies. Thus, unless consumers report all of their debts when applying for credit, creditors will not have an adequate picture of their debt burden.<sup>9</sup>

Why, then do creditors grant credit to consumers after they have taken bankruptcy? While many creditors do not extend credit in such cases, we have all observed advertisement of "fringe" retailers offering credit to consumers who have filed for bankruptcy. Such offers are obviously not based on charitable sentiments. A consumer who has received a discharge in bankruptcy may not file for chapter 7 until after the elapse of six years. Creditors of post-bankrupt consumers are protected at least from the risk of their bankruptcy during this interval.

Ideally, we should seek to prevent overindebtedness by consumers rather than provide a palliative after debts greatly exceed income, as in the case of our Group C debtors. We urge more support of credit counselling and extensive education in personal financial management at the high school and college levels.<sup>10</sup> However, economic incentives also need to be readjusted if the numbers of consumers who acquire unmanageable debts are to be reduced. We proposed a two-pronged attack on the problem. On the one hand, we would lower the incentive of creditors to provide credit to post-bankrupt consumers by removing the restrictions that consumers may file for chapter 7 only when six years have elapsed after a discharge in bankruptcy. On the other hand, we suggest decreasing the incentive for consumers to acquire debts by increasing the expected cost of bankruptcy. This could be done by reducing exemption

<sup>9</sup> This is particularly likely to be the case because consumers often appear to pay major creditors promptly, even though they may be seriously delinquent to other creditors who do not report to credit reporting agencies. One large creditor observed that among his bankrupt accounts, 30 percent were current or only 30 days delinquent on his books at the time of bankruptcy.

<sup>10</sup> Among our Group C respondents, 26.7 percent had not finished high school, while another 32.2 percent had not gone beyond high school.

levels or modifying the automatic stay on collection activities once a petition has been filed. Taken together, these two changes should reduce both ability and the incentive of consumers to incur excessive debts.

Many of the problems experienced with the existing legislative regimen governing consumer bankruptcies stem from the fact that the law was originally designed to deal with business bankruptcies. Because they have a continuing life, consumer bankrupts differ from business bankrupts and merit different treatment. We hope that the changes suggested here will foment a further evaluation of our present system of dealing with consumers' use of debt. Through education, credit counselling, and changes in the legislative regimen, we believe that significant advances can be achieved in preventing overuse of debt, in contrast to the current emphasis on treating the consequences.

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USE OF AND SATISFACTION WITH CONSUMER INFORMATION  
SOURCES REGARDING MICROWAVE OVEN COOKERY

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Abstract

The study related eight cookery information sources to consumer satisfaction with their microwave ovens. For each information source, the dimensions of frequency of use and satisfaction with the information source were analyzed. The 373 respondents to a mailed questionnaire were the primary users of the first microwave ovens in their households.

Consumers may purchase microwave ovens for their convenience in food preparation. They may also purchase such ovens with the expectation that they will save time in food preparation (1, 4, 5). However, there is a tendency to assume that the microwave oven functions in the same way as does a conventional oven (1). Many consumers are not aware of the need to change cooking practices and develop new food management techniques when they purchase a microwave oven.

Time saving and convenience are stressed as major advantages of owning a microwave oven. Little emphasis is placed on the importance of taking time to learn the skills which are necessary to make the best use of the appliance. When those who purchased an appliance to save time and gain convenience become aware of the need to spend time to learn to use that appliance, they may have mixed reactions to their purchase. However, if they seek out information and take time to develop skills in microwave oven cookery, they will better understand their oven's capabilities and will make more optimal use of their new appliance.

This study was conducted to determine consumer use of and satisfaction with microwave cookery information sources, and to relate those sources to consumer's satisfaction with their first microwave oven and the food prepared on it.

Specifically, the hypotheses were:

1. Consumer's satisfaction with their first microwave oven and the characteristics of food prepared in it does not differ by the frequency of their use of eight microwave oven cookery information sources.
2. Consumer's satisfaction with their first microwave oven and the characteristics of food prepared in it does not differ by their level of satisfaction with cookery information sources.

Related Research

Several researchers have previously studied consumer-users of microwave ovens and microwave

oven cookery. Their findings are briefly summarized here.

Of 43 microwave oven users in Iowa who were studied by Bishop, over two-thirds stated "time saving" as the principal reason for owning the microwave oven. Other reasons for ownership were "simplifies meal preparation," 39.5 percent, and "satisfies pride of ownership," 34.9 percent. Of the 275 non-owners, 37.2 percent indicated a desire to own a microwave oven. The most frequent reasons why non-owners desired a microwave oven were "time saving," 71.7 percent, and "simplifies meal preparation," 66.9 percent (1). Two other studies have also identified saving time as the most important reason for purchasing a microwave oven (4,5). The consumer-user's need and desire for information about microwave oven cookery has been identified in several studies. Childress analyzed consumers' comments about their microwave ovens and found a clear need for more information about microwave oven cookery (2). Bishop found that uninformed users had misconceptions about the use of microwave ovens. She concluded that homemakers need more information about microwave oven cookery (1). Respondents in Madigan's study requested additional information about microwave oven cookery (4). And 28 percent of the respondents in Faust's study said they had no continuing sources of information or could not find enough information about cooking with the microwave oven (3).

Most microwave oven users rely on their manufacturer's cookbooks for cookery information. In Faust's study, 66 percent of the respondents indicated that they completely read the cookbook before using the oven; an additional 27 percent had read most of it. They relied on the cookbook for recipes, timing, and adapting recipes. Cookbook recipes were used by 61 percent of the respondents always or frequently, but 63 percent said these recipes were not used exclusively. In fact, 53 percent used the cookbooks for adapting recipes, and 69 respondents referred to the cookbook for timing information (3).

Consumers complained that cookbooks lack indexing and quick reference. Respondents were frustrated that preparation times were not stated for different power levels (2, 3, 4). Round books that would not lie flat were an irritation. Respondents prefer spiral-bound cookbooks with tabs. They also inquired about the possibility of having cookbooks which could easily be wiped clean (4).

Consumers look to magazines and newspapers for additional microwave oven cookery information. Most are pleased with the information that is available; they just want more of it. In Faust's sample, 24 percent of the respondents mentioned newspapers and magazines as a source of continuing

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information about microwave oven cookery (3). One dissatisfaction is the lack of information on cooking time. Since various brands of microwave ovens cook at different wattages, it is difficult for articles in the mass media to specify a standard cooking time. This often results in the omission of any cooking time information at all (2, 3, 4).

Some homemakers turn to other users of microwave ovens for information about microwave oven cookery. In Faust's study, 35 percent of the respondents indicated other users, who were their friends or relatives, were sources of information (3).

Since microwave oven cookery requires learning new skills, consumers are requesting more demonstrations and cooking classes to improve their skills in microwave oven cookery. Madihan's study of microwave oven owners showed that, of those who saw a home economist's demonstration, 45 percent felt it had great value and 40 percent felt it had some value. In fact, some felt a need for more demonstrations (4).

Turning to the microwave oven itself, satisfaction with the microwave oven was studied by Schmerdtman. She asked a set of 33 questions regarding satisfaction with the appliance itself and its use in food preparation. The average satisfaction score was 3.978, of a possible 5.000. The satisfaction scores were positively related to the respondent's number of hours employed. However, the satisfaction scores were not related to the respondent's age, sex, education or occupation, nor to the family's income or number of people in the household. The respondent's satisfaction with the microwave oven was also found to be significantly related to the frequency of use of the microwave oven (5).

#### Methodology

In order to study consumer satisfaction with microwave oven cookery, a Midwest sample of 650 households was selected. Names of microwave oven owners were acquired through appliance dealers, from those attending microwave oven cookery demonstrations, and from those identified by friends, neighbors, and business associates. Only those consumers who were the primary user of their first microwave oven were analyzed.

The survey data were collected by mailed questionnaires in October and November 1978. Of the total mailing of 650 questionnaires, 26 were undeliverable. A total of 399 questionnaires were returned, of which 373 were usable. Hence, the completion rate of the study sample was 57 percent.

This is a nonprobability sample of Midwest households who are owners of their first microwave oven. Therefore, the results of the study

should not be considered to be representative of all primary users of their first microwave ovens in the Midwestern United States.

The characteristics of the sample are described in Table 1. The majority of the sample were age 35 or older, had some college education or a college degree, had a family income of \$15,000 or more, a spouse was present in the household, and the household contained three or more people. Fifty-four percent of the sample was employed outside the home for twenty or more hours per week. Almost half of the sample had owned a microwave oven less than a year.

TABLE 1. Demographic Characteristics of the Sample

| Demographic Variable     | Percent of Sample |
|--------------------------|-------------------|
| Age in Years             |                   |
| Under 22                 | --                |
| 22-34                    | 34.3              |
| 35-54                    | 53.8              |
| 55-over                  | 11.9              |
| Level of Education       |                   |
| 4 Years H.S. or Less     | 40.2              |
| 1-3 Years of College     | 23.4              |
| 4+ Years of College      | 36.4              |
| Annual Family Income     |                   |
| \$4,999 to \$14,999      | 19.6              |
| \$15,000 to \$29,999     | 53.5              |
| \$30,000+                | 26.9              |
| Number in Household      |                   |
| 1-2 People               | 31.7              |
| 3-4 People               | 42.6              |
| 5+ People                | 25.7              |
| Hours Employed/Week      |                   |
| Not Employed             | 37.0              |
| 1-19 Hours               | 9.0               |
| 20-70 Hours              | 54.0              |
| Having Spouse in Home    |                   |
| In Home                  | 90.5              |
| Not in Home              | 9.5               |
| Length of Oven Ownership |                   |
| Less Than 1 Year         | 48.8              |
| 1 to 3 Years             | 35.4              |
| 3+ Years                 | 15.8              |

#### Analysis

The study related cookery information sources to consumer satisfaction with their microwave ovens. The eight cookery information sources considered were two types of cookbooks: manufacturers' and those from other sources; three categories of mass media: magazines, newspapers, and radio and television; and three personal contact sources: other microwave oven users, demonstrations, and cooking classes. For each information

source, the dimensions of frequency of use and satisfaction with the information source were analyzed.

Consumer satisfaction with their microwave oven included satisfaction with the microwave oven as a whole and satisfaction with several food related characteristics. Those characteristics were food appearance, flavor, and texture; and the variety and quantity of food which could be prepared in the microwave oven.

#### Univariate Analysis

##### Cookery Information Sources

There was considerable variation in the frequency with which consumers used the eight sources of microwave oven cookery information (Table 2). A total of 85 percent of the respondents used the manufacturer's cookbook monthly or more. Other cookbooks were also used by 75 percent of the consumers. With regard to both magazines and newspapers, roughly equivalent thirds of the respondents fell in each of the three frequency of information use categories--monthly or more, less than monthly, and never used. Almost 58 percent of the respondents never used radio and television as a cookery information source. Forty-two percent of the sample sought cookery information from other microwave oven users at least once a month. The majority of the sample (58 percent) had never attended a microwave oven cookery demonstration and an even larger proportion, 76 percent, had never attended a cookery class on the use of their appliance.

Mean scores on satisfaction with an information source were highest for the two cookbook sources (Table 2). Communication with other microwave oven users had the third highest satisfaction mean score. Respondents reported the lowest satisfaction mean scores for mass media as an information source, with radio and television faring worse than did either magazines or newspapers.

##### Satisfaction with Microwave Oven Cookery

Respondents also evaluated their overall satisfaction with the microwave oven, and with the various food related characteristics (Table 3). The mean score for satisfaction with the microwave oven on the whole (5.188 out of a possible 6.0) was higher than the satisfaction mean score for any of the food characteristic variables.

Among the food characteristics, flavor attained the highest satisfaction mean score (4.834). Appearance, texture, and variety achieved only slightly lower satisfaction mean scores. However, food quantity, which is based on the amount of food the consumer can heat in the oven, had a somewhat lower though still positive satisfaction mean score (4.064).

#### Bivariate Analysis

##### Use of Cookery Information Sources

The use of each of the eight cookery information sources was cross-tabulated with satisfaction with the microwave oven as a whole and satis-

TABLE 2. Frequency Distributions for Cookery Information Source Variables

| Cookery Information Source | Frequency of Use <sup>1</sup> |      |      |     | Level of Satisfaction <sup>2</sup> |      |      | Mean Score | N <sup>3</sup> |
|----------------------------|-------------------------------|------|------|-----|------------------------------------|------|------|------------|----------------|
|                            | 3                             | 2    | 1    | N   | 3                                  | 2    | 1    |            |                |
| Cookbooks:                 |                               |      |      |     |                                    |      |      |            |                |
| Manufacturer's Cookbooks   | 85.1                          | 12.0 | 2.9  | 370 | 62.5                               | 26.2 | 11.3 | 4.680      | 359            |
| Other Cookbooks            | 74.9                          | 12.4 | 12.7 | 370 | 60.5                               | 26.7 | 13.1 | 4.643      | 328            |
| Mass Media:                |                               |      |      |     |                                    |      |      |            |                |
| Magazines                  | 41.6                          | 27.8 | 30.5 | 370 | 24.7                               | 49.8 | 25.5 | 3.933      | 283            |
| Newspapers                 | 31.4                          | 29.4 | 39.2 | 370 | 19.6                               | 49.4 | 31.0 | 3.766      | 265            |
| Radio and Television       | 18.1                          | 24.3 | 57.8 | 370 | 17.0                               | 44.2 | 38.7 | 3.608      | 217            |
| Personal Contact Media:    |                               |      |      |     |                                    |      |      |            |                |
| Other Microwave Oven Users | 42.1                          | 36.8 | 21.1 | 370 | 44.8                               | 48.2 | 7.0  | 4.473      | 313            |
| Demonstrations             | 4.0                           | 38.2 | 57.8 | 370 | 45.2                               | 23.3 | 31.5 | 4.199      | 216            |
| Cookery Classes            | 4.0                           | 20.0 | 75.9 | 370 | 45.4                               | 28.2 | 26.4 | 4.226      | 146            |

1. Frequency of use categories are 3 = monthly or more, 2 = less than monthly, and 1 = never.
2. Level of satisfaction categories are 3 = highly satisfied, 2 = moderately satisfied, and 1 = dissatisfied.
3. The reduced number of respondents is the result of satisfaction information being obtained from only those respondents who had used the information source.

TABLE 3. Frequency Distributions for Levels of Consumers' Satisfaction

| Satisfaction With           | Highly Satisfied<br>% | Moderately Satisfied<br>% | Dissatisfied<br>% | Mean Score* |
|-----------------------------|-----------------------|---------------------------|-------------------|-------------|
| Food Characteristics        |                       |                           |                   |             |
| Food Appearance             | 16.9                  | 65.4                      | 17.7              | 4.458       |
| Food Texture                | 20.6                  | 66.0                      | 13.4              | 4.625       |
| Food Flavor                 | 27.6                  | 63.0                      | 9.4               | 4.834       |
| Food Variety                | 20.6                  | 70.0                      | 9.4               | 4.751       |
| Food Quantity               | 10.7                  | 59.5                      | 29.8              | 4.064       |
| Microwave Oven on the Whole | 43.1                  | 53.1                      | 3.8               | 5.188       |

\*Mean score on a 6-point scale, where 6 is very highly satisfied and 1 is very highly dissatisfied.

faction with five food related characteristics. The chi square statistic, at the .05 level of probability, was used to identify significant relationships. A total of 13 of the 48 crosstabulations generated revealed significant relationships. Those 13 crosstabulations are displayed in Tables 4, 5, and 6 and are discussed below.

**Cookbooks.** Although most consumers used the cookbook which came with their microwave oven, the frequency of use of the manufacturer's cookbook was not related to their satisfaction with food characteristics or to satisfaction with the oven itself (Table 4). However, there was a significant relationship between the frequency of use of cookbooks other than the manufacturer's and the level of satisfaction with the variety and the quantity of food which could be prepared in the microwave oven (Table 4). Compared to

consumers who never used other cookbooks, those consumers who did use other cookbooks were more satisfied with the variety of foods that they could prepare in the microwave oven.

**Mass Media.** Seven of the 18 crosstabulations between the mass media information sources and the food product/appliance satisfaction variables were significant at the .05 level (Table 5). The significant crosstabulations involved magazines and newspapers; there were no significant results involving the use of radio and television.

The frequency of use of magazines as an information source for microwave oven cookery was related to satisfaction with food texture, flavor, and variety and to satisfaction with the microwave oven as a whole. In general, the pattern of relationship between information use

TABLE 4. Use of Cookbook Information by Satisfaction with Food Characteristics and the Microwave Oven

| Use of Cookbooks                 | Food Variety Level of Satisfaction <sup>1</sup> |                  |        |                  | Food Quantity Level of Satisfaction <sup>2</sup> |                  |        |                  |
|----------------------------------|-------------------------------------------------|------------------|--------|------------------|--------------------------------------------------|------------------|--------|------------------|
|                                  | 3<br>%                                          | 2<br>%           | 1<br>% | Total Cases<br>N | 3<br>%                                           | 2<br>%           | 1<br>% | Total Cases<br>N |
| Manufacturers' Cookbooks         |                                                 |                  |        |                  |                                                  |                  |        |                  |
| Monthly or more                  |                                                 |                  |        |                  |                                                  |                  |        |                  |
| Less than monthly                |                                                 |                  |        |                  |                                                  |                  |        |                  |
| Never                            |                                                 |                  |        |                  |                                                  |                  |        |                  |
| p. of chi-square<br>(Cramer's V) |                                                 |                  |        |                  |                                                  |                  |        |                  |
| Other Cookbooks                  |                                                 |                  |        |                  |                                                  |                  |        |                  |
| Monthly or more                  | 21.3                                            | 71.5             | 7.2    | (277)            | 10.1                                             | 64.3             | 25.6   | (277)            |
| Less than monthly                | 21.7                                            | 63.6             | 14.7   | (46)             | 17.4                                             | 50.0             | 32.6   | (46)             |
| Never                            | 17.0                                            | 61.7             | 21.3   | (47)             | 8.5                                              | 40.4             | 51.1   | (47)             |
| p. of chi-square<br>(Cramer's V) |                                                 | .0481<br>(.1138) |        | (370)            |                                                  | .0034<br>(.1457) |        | (370)            |

<sup>1</sup>Levels of satisfaction are 3 = highly satisfied, 2 = moderately satisfied, and 1 = dissatisfied.

TABLE 5. Use of Mass Media Information by Satisfaction with Food Characteristics and the Microwave Oven

| Use of Mass Media                | Food Texture<br>Level of Satisfaction* |                  |      |                  |                 | Food Flavor<br>Level of Satisfaction |                  |      |                  |  | Food Variety<br>Level of Satisfaction |                  |      |                  |  | Oven on the Whole<br>Level of Satisfaction |                  |     |                  |  |
|----------------------------------|----------------------------------------|------------------|------|------------------|-----------------|--------------------------------------|------------------|------|------------------|--|---------------------------------------|------------------|------|------------------|--|--------------------------------------------|------------------|-----|------------------|--|
|                                  | 3                                      | 2                | 1    | Total Cases<br>N |                 | 3                                    | 2                | 1    | Total Cases<br>N |  | 3                                     | 2                | 1    | Total Cases<br>N |  | 3                                          | 2                | 1   | Total Cases<br>N |  |
| Magazines                        |                                        |                  |      |                  |                 |                                      |                  |      |                  |  |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| Monthly or more                  | 25.3                                   | 67.5             | 7.1  | (154)            | Not significant |                                      |                  |      |                  |  | 24.0                                  | 72.8             | 3.2  | (154)            |  | 50.6                                       | 48.1             | 1.3 | (154)            |  |
| Less than monthly                | 13.6                                   | 73.8             | 12.6 | (103)            |                 |                                      |                  |      |                  |  | 15.5                                  | 72.8             | 11.7 | (103)            |  | 34.0                                       | 62.1             | 3.9 | (103)            |  |
| Never                            | 21.2                                   | 56.6             | 22.1 | (113)            |                 |                                      |                  |      |                  |  | 21.2                                  | 63.8             | 15.0 | (113)            |  | 42.5                                       | 50.4             | 7.1 | (113)            |  |
| p. of chi-square<br>(Cramer's V) |                                        | .0013<br>(.1546) |      | (370)            |                 |                                      |                  |      |                  |  |                                       | .0077<br>(.1370) |      | (370)            |  |                                            | .0158<br>(.1286) |     | (370)            |  |
| Newspapers                       |                                        |                  |      |                  |                 |                                      |                  |      |                  |  |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| Monthly or more                  | 24.1                                   | 68.1             | 7.8  | (116)            |                 | 31.0                                 | 61.2             | 7.8  | (116)            |  | 24.1                                  | 71.6             | 4.3  | (116)            |  | 51.7                                       | 47.4             | 0.9 | (116)            |  |
| Less than monthly                | 12.8                                   | 77.1             | 10.1 | (109)            |                 | 21.1                                 | 73.4             | 5.5  | (109)            |  | 16.5                                  | 76.2             | 7.3  | (109)            |  | 33.0                                       | 64.2             | 2.8 | (109)            |  |
| Never                            | 24.1                                   | 55.9             | 20.0 | (145)            |                 | 30.3                                 | 56.6             | 13.1 | (145)            |  | 21.4                                  | 64.1             | 14.5 | (145)            |  | 44.8                                       | 48.3             | 6.9 | (145)            |  |
| p. of chi-square<br>(Cramer's V) |                                        | .0015<br>(.1539) |      | (370)            |                 |                                      | .0457<br>(.1145) |      | (370)            |  |                                       | .0292<br>(.1207) |      | (370)            |  |                                            | .0044<br>(.1431) |     | (370)            |  |
| Television and Radio             |                                        |                  |      |                  |                 |                                      |                  |      |                  |  |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| Monthly or more                  | Not significant                        |                  |      |                  |                 | Not significant                      |                  |      |                  |  | Not significant                       |                  |      |                  |  | Not significant                            |                  |     |                  |  |
| Less than monthly                |                                        |                  |      |                  |                 |                                      |                  |      |                  |  |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| Never                            |                                        |                  |      |                  |                 |                                      |                  |      |                  |  |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| p. of chi-square<br>(Cramer's V) |                                        |                  |      |                  |                 |                                      |                  |      |                  |  |                                       |                  |      |                  |  |                                            |                  |     |                  |  |

\*Levels of satisfaction are 3 = highly satisfied, 2 = moderately satisfied, and 1 = dissatisfied

| Exposure to Personal Contacts    | Food Variety<br>Level of Satisfaction* |                  |      |                  |                 | Food Variety<br>Level of Satisfaction |                  |      |                  |  | Oven on the Whole<br>Level of Satisfaction |                  |     |                  |  |
|----------------------------------|----------------------------------------|------------------|------|------------------|-----------------|---------------------------------------|------------------|------|------------------|--|--------------------------------------------|------------------|-----|------------------|--|
|                                  | 3                                      | 2                | 1    | Total Cases<br>N |                 | 3                                     | 2                | 1    | Total Cases<br>N |  | 3                                          | 2                | 1   | Total Cases<br>N |  |
| Other Microwave Oven Users       |                                        |                  |      |                  |                 |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| Monthly or more                  | 25.0                                   | 71.2             | 3.8  | (156)            | Not significant | 10.9                                  | 67.3             | 21.8 | (156)            |  | 50.0                                       | 47.4             | 2.6 | (156)            |  |
| Less than monthly                | 16.2                                   | 71.3             | 12.5 | (136)            |                 | 9.6                                   | 50.7             | 39.7 | (136)            |  | 41.9                                       | 55.9             | 2.2 | (136)            |  |
| Never                            | 20.5                                   | 65.4             | 14.1 | (78)             |                 | 12.8                                  | 59.0             | 28.2 | (78)             |  | 33.3                                       | 57.7             | 9.0 | (78)             |  |
| p. of chi-square<br>(Cramer's V) |                                        | .0211<br>(.1249) |      | (370)            |                 |                                       | .0192<br>(.1261) |      | (370)            |  |                                            | .0177<br>(.1271) |     | (370)            |  |
| Demonstrations                   |                                        |                  |      |                  |                 |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| Monthly or more                  | Not significant                        |                  |      |                  |                 | Not significant                       |                  |      |                  |  | Not significant                            |                  |     |                  |  |
| Less than monthly                |                                        |                  |      |                  |                 |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| Never                            |                                        |                  |      |                  |                 |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| p. of chi-square<br>(Cramer's V) |                                        |                  |      |                  |                 |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| Cooking Classes                  |                                        |                  |      |                  |                 |                                       |                  |      |                  |  |                                            |                  |     |                  |  |
| Monthly or more                  | Not significant                        |                  |      |                  |                 | 20.0                                  | 66.7             | 13.3 | (15)             |  | Not significant                            |                  |     |                  |  |
| Less than monthly                |                                        |                  |      |                  |                 | 9.5                                   | 74.3             | 16.2 | (74)             |  |                                            |                  |     |                  |  |
| Never                            |                                        |                  |      |                  |                 | 10.7                                  | 55.1             | 34.2 | (281)            |  |                                            |                  |     |                  |  |
| p. of chi-square<br>(Cramer's V) |                                        |                  |      |                  |                 |                                       | .0122<br>(.1744) |      | (370)            |  |                                            |                  |     |                  |  |

\*Levels of satisfaction are 3 = highly satisfied, 2 = moderately satisfied, and 1 = dissatisfied.

TABLE 6. Use of Personal Contact Media by Satisfaction with Food Characteristics and the Microwave Oven



and food product/appliance satisfaction was one of increasing frequency of use of the information source being related to increased satisfaction with the food product/appliance. However, in four of the seven significant crosstabulations, one cell of the table consistently differed from the overall pattern. That cell, which includes respondents who used the information sources less than monthly, had the lowest percentage of respondents who were highly satisfied with the food product/appliance satisfaction variable.

**Personal Contact Media.** Four of the 18 crosstabulations between personal contact media sources of information on microwave oven cookery were significant at the .05 level of probability. Three of the significant relationships involved the use of information from other microwave oven users and one involved cooking classes (Table 6). There were no significant relationships involving demonstrations.

In the three significant tables which involve satisfaction with food characteristics, the less than monthly users of personal contact sources of information had the lowest percentage of respondents who were highly satisfied with the variety and quantity of foods which could be prepared in a microwave oven.

#### Satisfaction with Cookery Information Sources

Following the analysis of use of information for microwave oven cookery, as reported above, consumer satisfaction with the information sources was crosstabulated with satisfaction with the food product/appliance. Relationships which were significant at the .05 level of probability for the chi square statistic were found for 27 of the 48 crosstabulations. Those significant relationships are reported in Tables 7, 8, and 9 and are discussed below.

**Cookbooks.** Ten of the 12 crosstabulations of satisfaction with manufacturer's cookbooks and of other cookbooks with food product/appliance satisfaction were significant at the .05 level (Table 7). The relationship of satisfaction with the manufacturer's cookbooks to satisfaction with food variety was positive and linear; it also had the highest strength of association of any crosstabulation in the study (a Cramer's V of .3873). The other four crosstabulations of satisfaction with manufacturer's cookbooks reveal a number of variations from a positive, linear relationship, particularly among the respondents who are moderately satisfied with manufacturer's cookbooks.

Satisfaction with other (non-manufacturers') cookbooks was significantly related to satisfaction with food texture, flavor, variety, quantity, and to satisfaction with the microwave oven as a whole (Table 7). A pattern of increasing satisfaction with the cookbook being related to increasing satisfaction with texture was found. A similar pattern, with the exception that those moderately satisfied with other cookbooks had the lowest percentage of those who were highly

satisfied with food flavor, food variety, and the microwave oven as a whole, was found.

**Mass Media.** Satisfaction with microwave cookery information from two printed media and two electronic media were cross-tabulated with satisfaction with the food product/appliance (Table 8). Satisfaction with cookery information in magazines was related to satisfaction with food texture and food variety. Satisfaction with newspapers as a cookery information source was associated with satisfaction with food variety and with the microwave oven as a whole. Satisfaction with information from radio and television was related to satisfaction with food appearance, texture, and flavor.

**Personal Contact Media.** Satisfaction with cookery information from other microwave oven users was related to satisfaction with food appearance, texture, flavor, and variety; and with the microwave oven as a whole (Table 9). The pattern of relationship was usually one of increasing satisfaction with information from other users being related to increasing satisfaction with the dependent variable. Exceptions were food variety and the microwave oven as a whole.

Satisfaction with microwave oven cookery demonstrations was related to satisfaction with food texture, flavor, and variety (Table 9). Satisfaction with cooking classes was related to satisfaction with food texture and flavor (Table 9).

#### Summary and Discussion

When relationships between the cookery information source variables and satisfaction with food characteristics or the oven as a whole were found, the general pattern was one of increasing use of or satisfaction with the information source being related to increasing satisfaction with the food product or appliance. However, in a number of tables, the less frequent users or those only moderately satisfied with an information source differed from the overall pattern; they reported the smallest percentage who were highly satisfied with the dependent variables. Thus, the level of satisfaction, among those who were satisfied, was important.

In general, use of a cookery information source was less frequently related to satisfaction with food characteristics and the oven itself, and satisfaction with the information source was more frequently related to satisfaction with food characteristics and the oven itself. Thus, the quality of the information provided is important. Use of newspapers and magazines differed from the general pattern. Use of print media was more frequently related to satisfaction with the food characteristics or appliance, and satisfaction with the information source was less frequently related to satisfaction with the food characteristic or appliance. It is possible that these sources, because they are not specific to a brand

TABLE 7. Satisfaction with Cookbook Information by Food Characteristics and the Microwave Oven

| Satisfaction<br>with Cookbooks                                                                   | Food Appearance<br>Level of Satisfaction* |                  |        |                     | Food Texture<br>Level of Satisfaction  |                  |        |                     | Food Flavor<br>Level of Satisfaction       |                  |        |                     |
|--------------------------------------------------------------------------------------------------|-------------------------------------------|------------------|--------|---------------------|----------------------------------------|------------------|--------|---------------------|--------------------------------------------|------------------|--------|---------------------|
|                                                                                                  | 3<br>%                                    | 2<br>%           | 1<br>% | Total<br>Cases<br>N | 3<br>%                                 | 2<br>%           | 1<br>% | Total<br>Cases<br>N | 3<br>%                                     | 2<br>%           | 1<br>% | Total<br>Cases<br>N |
| Manufacturer's<br>Cookbooks                                                                      |                                           |                  |        |                     |                                        |                  |        |                     |                                            |                  |        |                     |
| Highly satisfied                                                                                 | 21.8                                      | 65.2             | 13.0   | (216)               | 25.5                                   | 65.7             | 8.8    | (216)               | 32.4                                       | 62.0             | 5.6    | (216)               |
| Moderately satisfied                                                                             | 7.3                                       | 64.6             | 28.1   | (96)                | 13.5                                   | 65.5             | 20.8   | (96)                | 16.7                                       | 68.7             | 14.6   | (96)                |
| Dissatisfied                                                                                     | 17.0                                      | 66.0             | 17.0   | (47)                | 17.0                                   | 66.0             | 17.0   | (47)                | 27.7                                       | 59.5             | 12.8   | (47)                |
| p. of chi-square<br>(Cramer's V)                                                                 |                                           | .0021<br>(.1529) |        | (359)               |                                        | .0118<br>(.1340) |        | (359)               |                                            | .0089<br>(.1374) |        | (359)               |
| Other Cookbooks                                                                                  |                                           |                  |        |                     |                                        |                  |        |                     |                                            |                  |        |                     |
| Highly satisfied                                                                                 |                                           |                  |        |                     | 25.4                                   | 68.3             | 6.3    | (205)               | 33.2                                       | 62.4             | 4.4    | (205)               |
| Moderately satisfied                                                                             |                                           | Not significant  |        |                     | 15.1                                   | 67.5             | 17.4   | (86)                | 18.6                                       | 66.3             | 15.1   | (86)                |
| Dissatisfied                                                                                     |                                           |                  |        |                     | 24.5                                   | 52.2             | 24.3   | (37)                | 24.3                                       | 59.5             | 16.2   | (37)                |
| p. of chi-square                                                                                 |                                           |                  |        |                     |                                        | .0017<br>(.1622) |        | (328)               |                                            | .0036<br>(.1564) |        | (328)               |
| *Levels of satisfaction are 3 = highly satisfied, 2 = moderately satisfied, and 1 = dissatisfied |                                           |                  |        |                     |                                        |                  |        |                     |                                            |                  |        |                     |
| Satisfaction<br>with Cookbooks<br>(continued)                                                    | Food Variety<br>Level of Satisfaction*    |                  |        |                     | Food Quantity<br>Level of Satisfaction |                  |        |                     | Oven on the Whole<br>Level of Satisfaction |                  |        |                     |
|                                                                                                  | 3<br>%                                    | 2<br>%           | 1<br>% | Total<br>Cases<br>N | 3<br>%                                 | 2<br>%           | 1<br>% | Total<br>Cases<br>N | 3<br>%                                     | 2<br>%           | 1<br>% | Total<br>Cases<br>N |
| Manufacturer's<br>Cookbooks                                                                      |                                           |                  |        |                     |                                        |                  |        |                     |                                            |                  |        |                     |
| Highly satisfied                                                                                 | 26.9                                      | 68.0             | 5.1    | (216)               |                                        |                  |        |                     | 52.8                                       | 44.1             | 2.3    | (216)               |
| Moderately satisfied                                                                             | 13.5                                      | 75.0             | 11.5   | (96)                |                                        |                  |        |                     | 28.1                                       | 66.7             | 5.2    | (96)                |
| Dissatisfied                                                                                     | 12.8                                      | 68.1             | 19.1   | (47)                |                                        |                  |        |                     | 36.2                                       | 55.3             | 9.5    | (47)                |
| p. of chi-square<br>(Cramer's V)                                                                 |                                           | .0013<br>(.3873) |        | (359)               |                                        | Not significant  |        |                     |                                            | .0004<br>(.1688) |        | (359)               |
| Other Cookbooks                                                                                  |                                           |                  |        |                     |                                        |                  |        |                     |                                            |                  |        |                     |
| Highly satisfied                                                                                 | 26.3                                      | 69.3             | 4.4    | (205)               | 13.7                                   | 64.3             | 22.0   | (205)               | 52.2                                       | 45.4             | 2.4    | (205)               |
| Moderately satisfied                                                                             | 10.5                                      | 79.0             | 10.5   | (86)                | 4.7                                    | 59.3             | 36.0   | (86)                | 30.2                                       | 64.0             | 5.8    | (86)                |
| Dissatisfied                                                                                     | 18.9                                      | 67.6             | 13.5   | (37)                | 13.5                                   | 54.1             | 32.4   | (37)                | 37.8                                       | 54.1             | 8.1    | (37)                |
| p. of chi-square<br>(Cramer's V)                                                                 |                                           | .0077<br>(.1455) |        | (328)               |                                        | .0374<br>(.1246) |        | (328)               |                                            | .0054<br>(.0766) |        | (328)               |

TABLE 8. Satisfaction with Mass Media Information by Food Characteristics and the Microwave Oven

| Satisfaction<br>with Personal<br>Contact Media | Food Appearance<br>Level of Satisfaction* |      |      |       | Food Texture<br>Level of Satisfaction |      |      |       | Food Flavor<br>Level of Satisfaction |      |      |       | Food Variety<br>Level of Satisfaction |      |      |       | Oven as a Whole<br>Level of Satisfaction |      |     |       |
|------------------------------------------------|-------------------------------------------|------|------|-------|---------------------------------------|------|------|-------|--------------------------------------|------|------|-------|---------------------------------------|------|------|-------|------------------------------------------|------|-----|-------|
|                                                | 3                                         | 2    | 1    | No.   | 3                                     | 2    | 1    | No.   | 3                                    | 2    | 1    | No.   | 3                                     | 2    | 1    | No.   | 3                                        | 2    | 1   | No.   |
|                                                | %                                         | %    | %    | Cases | %                                     | %    | %    | Cases | %                                    | %    | %    | Cases | %                                     | %    | %    | Cases | %                                        | %    | %   | Cases |
| <hr/>                                          |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       |                                       |      |      |       |                                          |      |     |       |
| Other Microwave<br>Oven Users                  |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       |                                       |      |      |       |                                          |      |     |       |
| Highly satisfied                               | 26.4                                      | 57.2 | 16.4 | (140) | 29.3                                  | 61.4 | 9.3  | (140) | 37.9                                 | 57.1 | 5.0  | (140) | 27.9                                  | 67.8 | 4.3  | (140) | 57.9                                     | 41.1 | 0.7 | (140) |
| Moderately satisfied                           | 9.9                                       | 72.9 | 17.2 | (151) | 14.6                                  | 70.2 | 15.2 | (151) | 19.2                                 | 68.9 | 11.1 | (151) | 17.2                                  | 70.9 | 11.9 | (151) | 37.7                                     | 57.6 | 4.6 | (151) |
| Dissatisfied                                   | 9.1                                       | 72.7 | 18.2 | (22)  | 13.6                                  | 72.8 | 13.6 | (22)  | 13.6                                 | 68.2 | 18.2 | (22)  | 13.6                                  | 81.9 | 4.5  | (22)  | 22.7                                     | 72.6 | 4.5 | (22)  |
| p. of chi-square<br>(Cramer's V)               | .0041<br>(.1504)                          |      |      |       | .0249<br>(.1335)                      |      |      |       | .0011<br>(.1712)                     |      |      |       | .0303<br>(.1307)                      |      |      |       | .0008<br>(.1745)                         |      |     |       |
| Demonstrations                                 |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       |                                       |      |      |       |                                          |      |     |       |
| Highly satisfied                               |                                           |      |      |       | 31.6                                  | 59.2 | 9.2  | (98)  | 39.8                                 | 55.1 | 5.1  | (98)  | 29.6                                  | 65.3 | 5.1  | (98)  |                                          |      |     |       |
| Moderately satisfied                           |                                           |      |      |       | 6.6                                   | 85.2 | 0.2  | (61)  | 14.8                                 | 77.0 | 8.2  | (61)  | 11.5                                  | 78.7 | 9.8  | (61)  | Not significant                          |      |     |       |
| Dissatisfied                                   | Not significant                           |      |      |       | 21.1                                  | 64.9 | 14.0 | (57)  | 19.3                                 | 66.7 | 14.0 | (57)  | 17.5                                  | 70.2 | 12.3 | (57)  |                                          |      |     |       |
| p. of chi-square<br>(Cramer's V)               |                                           |      |      |       | .0031<br>(.1919)                      |      |      |       | .0021<br>(.1971)                     |      |      |       | .0351<br>(.1761)                      |      |      |       |                                          |      |     |       |
| Cooking Classes                                |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       |                                       |      |      |       |                                          |      |     |       |
| Highly satisfied                               |                                           |      |      |       | 34.8                                  | 57.6 | 7.6  | (66)  | 36.4                                 | 57.6 | 6.0  | (66)  |                                       |      |      |       | Not significant                          |      |     |       |
| Moderately satisfied                           | Not significant                           |      |      |       | 8.8                                   | 85.3 | 5.9  | (34)  | 11.8                                 | 82.4 | 5.8  | (34)  | Not significant                       |      |      |       |                                          |      |     |       |
| Dissatisfied                                   |                                           |      |      |       | 17.4                                  | 69.6 | 13.0 | (46)  | 19.6                                 | 63.0 | 17.4 | (46)  |                                       |      |      |       |                                          |      |     |       |
| p. of chi-square<br>(Cramer's V)               |                                           |      |      |       | .0218<br>(.1982)                      |      |      |       | .0130<br>(.2083)                     |      |      |       |                                       |      |      |       |                                          |      |     |       |

\*Levels of satisfaction are 3 = highly satisfied, 2 = moderately satisfied, and 1 = dissatisfied

TABLE 9. Satisfaction with Personal Contact Media by Food Characteristics and the Microwave Oven

| Satisfaction with Mass Media | Food Appearance<br>Level of Satisfaction* |      |      |       | Food Texture<br>Level of Satisfaction |      |      |       | Food Flavor<br>Level of Satisfaction |      |      |       | Food Variety<br>Level of Satisfaction |      |      |       | Oven on the Whole<br>Level of Satisfaction |      |     |       |                 |  |  |  |       |  |  |  |
|------------------------------|-------------------------------------------|------|------|-------|---------------------------------------|------|------|-------|--------------------------------------|------|------|-------|---------------------------------------|------|------|-------|--------------------------------------------|------|-----|-------|-----------------|--|--|--|-------|--|--|--|
|                              | 3                                         | 2    | 1    | No.   | 3                                     | 2    | 1    | No.   | 3                                    | 2    | 1    | No.   | 3                                     | 2    | 1    | No.   | 3                                          | 2    | 1   | No.   |                 |  |  |  |       |  |  |  |
|                              | %                                         | %    | %    | Cases | %                                     | %    | %    | Cases | %                                    | %    | %    | Cases | %                                     | %    | %    | Cases | %                                          | %    | %   | Cases |                 |  |  |  |       |  |  |  |
| Magazines                    |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       |                                       |      |      |       |                                            |      |     |       |                 |  |  |  |       |  |  |  |
| Highly satis.                |                                           |      |      |       | 30.0                                  | 67.1 | 2.9  | (70)  |                                      |      |      |       | 27.1                                  | 71.5 | 1.4  | (70)  |                                            |      |     |       |                 |  |  |  |       |  |  |  |
| Mod. satis.                  | Not significant                           |      |      |       | 16.3                                  | 74.5 | 9.2  | (141) | Not significant                      |      |      |       | 18.4                                  | 75.2 | 6.4  | (141) | Not significant                            |      |     |       |                 |  |  |  |       |  |  |  |
| Dissatisfied                 |                                           |      |      |       | 19.4                                  | 63.9 | 16.7 | (72)  |                                      |      |      |       | 18.1                                  | 66.6 | 15.3 | (72)  |                                            |      |     |       |                 |  |  |  |       |  |  |  |
| p. of chi-square             |                                           |      |      |       | .0151                                 |      |      |       |                                      |      |      |       | .0163                                 |      |      |       |                                            |      |     |       |                 |  |  |  |       |  |  |  |
| (Cramer's V)                 |                                           |      |      |       | (.1475)                               |      |      |       | (283)                                |      |      |       | (.1461)                               |      |      |       | (283)                                      |      |     |       |                 |  |  |  |       |  |  |  |
| Newspapers                   |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       |                                       |      |      |       |                                            |      |     |       |                 |  |  |  |       |  |  |  |
| Highly satis.                |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       | 25.0                                  | 75.0 | 0.0  | (52)  | 55.8                                       | 44.2 | 0.0 | (52)  |                 |  |  |  |       |  |  |  |
| Mod. satis.                  | Not significant                           |      |      |       | Not significant                       |      |      |       | Not significant                      |      |      |       | 19.8                                  | 74.9 | 5.3  | (131) | 37.4                                       | 61.8 | 0.8 | (131) |                 |  |  |  |       |  |  |  |
| Dissatisfied                 |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       | 17.1                                  | 68.3 | 14.6 | (82)  | 45.1                                       | 47.6 | 7.3 | (82)  |                 |  |  |  |       |  |  |  |
| p. of chi-square             |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       | .0170                                 |      |      |       |                                            |      |     |       | .0031           |  |  |  |       |  |  |  |
| (Cramer's V)                 |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       | (.1508)                               |      |      |       | (265)                                      |      |     |       | (.1733)         |  |  |  | (265) |  |  |  |
| TV and Radio                 |                                           |      |      |       |                                       |      |      |       |                                      |      |      |       |                                       |      |      |       |                                            |      |     |       |                 |  |  |  |       |  |  |  |
| Highly satis.                | 32.4                                      | 62.2 | 5.4  | (37)  | 37.8                                  | 59.5 | 2.7  | (37)  | 45.9                                 | 43.3 | 10.8 | (37)  |                                       |      |      |       | Not significant                            |      |     |       | Not significant |  |  |  |       |  |  |  |
| Mod. satis.                  | 14.6                                      | 68.7 | 16.7 | (96)  | 13.5                                  | 77.1 | 9.4  | (96)  | 20.8                                 | 71.9 | 7.3  | (96)  |                                       |      |      |       |                                            |      |     |       |                 |  |  |  |       |  |  |  |
| Dissatisfied                 | 13.1                                      | 66.7 | 20.2 | (84)  | 17.9                                  | 70.2 | 11.9 | (84)  | 22.6                                 | 70.3 | 7.1  | (84)  |                                       |      |      |       |                                            |      |     |       |                 |  |  |  |       |  |  |  |
| p. of chi-square             | .0412                                     |      |      |       | .0184                                 |      |      |       | .0246                                |      |      |       |                                       |      |      |       |                                            |      |     |       |                 |  |  |  |       |  |  |  |
| (Cramer's V)                 | (.1515)                                   |      |      |       | (.0745)                               |      |      |       | (.1605)                              |      |      |       | (217)                                 |      |      |       |                                            |      |     |       |                 |  |  |  |       |  |  |  |

\*Levels of satisfaction are 3 = highly satisfied, 2 = moderately satisfied, and 1 = dissatisfied

of oven and therefore frequently omit cooking time information, require greater skill on the part of the user in order to achieve a satisfactory food product. Another possibility is that magazines and newspapers were chosen for reasons not related to microwave cookery. Yet, since they contained microwave oven cookery information, that information was used even if it was not of the desired quality.

Communication with other microwave oven users, as an information source, achieved the highest number of significant relationships with the dependent variables. Communication with other users was among the more frequently significant of the information sources used. Satisfaction with such communication equaled satisfaction with the two cookbook sources in the number of significant relationships with satisfaction with food characteristics and the oven itself. Thus, interpersonal communication is an important information source.

The most frequently used information sources were cookbooks. While the use of manufacturer's cookbooks was not related to the dependent variables, the use of other cookbooks was related to satisfaction with the variety and quantity of foods which can be prepared in the microwave oven. Thus, the use of other cookbooks appears to satisfy some consumer goals regarding the variety and quantity of foods those users wish to prepare in microwave ovens. Satisfaction with manufacturer's cookbooks and other cookbooks were each associated with five dependent variables. Satisfaction with other cookbooks was the only information source satisfaction variable found to be associated with satisfaction with the quantity of food which can be prepared in a microwave oven.

#### Limitations of the Study

One limitation of the study was that, while associations between information sources and satisfaction with food characteristics and the microwave oven were found, the direction of causality was not known. The data did not answer the question of whether greater use of and satisfaction with a cookery information source was the cause of, or the result of, greater satisfaction with the food characteristics and with the microwave oven itself. The data only revealed that the one was related to the other.

A second limitation is that a nonrepresentative sample was used. As the number of households who own a microwave oven increases, it should become more cost efficient to draw a representative sample at a future date.

#### Implications of the Findings

Consumer satisfaction with the quantity of food which can be prepared in a microwave oven had the lowest satisfaction mean score of any food

characteristic variable. While instructors and demonstrators can teach consumers the limitations on the oven's cooking capacity, they usually reach consumers after a microwave oven has been purchased. The advertising of microwave ovens reaches consumers at an early stage in the purchase decision process. Advertising should promote those cookery practices the oven is designed to perform. Advertising should not promote the preparation of a total meal in the oven--a feat which is possible through complex maneuvers, but which is also inefficient and difficult. Perhaps such advertising raises expectations which, when the difficulty of their achievement is discovered, may lead to dissatisfaction.

There is a need for further research to identify the reasons why less frequent users of cookery information sources, and those only moderately satisfied with information sources, are less satisfied with food characteristics. What were their expectations regarding the microwave oven and what were their expectations regarding the cookery information sources?

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"THE CONJUGATION OF CONSUMER AFFAIRS"

by  
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Good afternoon. It is a pleasure to join you at this 28th Annual Conference of the American Council on Consumer Interests. The strength of ACCI today is a clear indication of the wellness of consumer education. Your vitality results from the enormous benefits that can be derived when there is a forum for exchange and debate in the interest of common goals and challenges, and exemplifies the spirit in which ACCI was established by its original founders.

With Bill Fassee as your new President, I know that the outstanding leadership of Jean Bowers, Herb Jelley, and most currently Carole Makela will be continued, and ACCI will move forward in the 80's in a progressive and accelerated manner.

Your various committees to promote consumer education, consumer research, and career competencies provide a great service now and in the future. With a new policy to accept foundation grants, you will be involved in additional consumer research, so vitally needed by educators and consumer affairs professionals alike. Your Journal of Consumer Affairs stands today as one of the most prestigious consumer research publications--it keeps readers on the cutting edge of current consumer thought and issues. And, of course, Stewart Lee's long commitment to the ACCI Newsletter is one which everyone has benefited from. I commend you all, and look forward to a future even brighter than the past.

As ACCI has changed and matured, so has the rest of what we loosely call "consumerism." Just look at the progress we've made. Where we once had adversarial and paranoid tensions between business and the leading consumer representatives, we now have an integration of our pursuit for a healthy business climate with consumers the ultimate beneficiaries. The strength of the corporate consumer affairs phenomenon can be measured in two ways: First, the rapid growth of the Society of Consumer Affairs Professionals. It now has 1400 members in the National SOCAP and an estimated 3,000 local chapter members. Just six years ago national membership was only half of what it is today, and I'm sure local membership reflected a similar ratio. Second, the concrete examples we have of individual programs designed to facilitate a corporate responsiveness to consumers--their thoughts, their problems, and their needs. As but one example of many, General Electric has just established an "Answer Center" tollfree line to answer consumers' questions about any of their products -- from hair dryers to jet engines. Data from these calls will be used in the analysis of GE's production and customer service policies. This new program reflects the thinking of GE's Chairman John F.

Welch, Jr., reported in the U.S. News and World Report where he recognized the need of American corporations to meet the demands of the consuming public for quality. Obviously, GE is backing corporate rhetoric with specific actions.

Whirlpool Corporation is taking their COOL-LINE tollfree service one step further, after using it as a barometer of consumer information needs. For National Consumers Week, they are launching a broad program of simplified and expanded consumer information.

The utilities have also made enormous efforts to interact and assist consumers. My office, in cooperation with 54 members of an energy and aging consortium, sponsored a conference in February entitled "Building Partnerships: Strategies for Older Americans and Their Energy Suppliers." At this forum numerous utility companies and associations told of programs they had established to aid the elderly in their utility usage and costs. I have also been impressed with the work of the American Gas Association in establishing a Consumer Roundtable Program where heads of utilities meet with consumer and community leaders to share concerns and define issues where work needs to be done. And we know of other utility associations who are doing the same thing.

The spirit of productively channeling consumer and business interaction and identifying mutual needs and concerns has been with us for some time. It was this approach that created the CAPs--industry sponsored complaint mediation panels made up of industry and consumer representatives who act as third parties in resolving consumer problems.

I am proud of my involvement in the first CAP program in 1970, when I worked with the major appliance industry to create MACAP, followed by FICAP and AUTOCAP.

And now, twelve years after the first CAP, we have just helped to launch the newest CAP -- called ThanaCAP -- established to deal with consumer problems in the funeral industry. I can guarantee you that we will not stop here. We have a tentative plan for a conference on CAP programs in the near future, and we will continue to urge other industries to develop similar programs.

My job of encouraging business to respond to consumer complaints has been made easier because of the Technical Assistance Research Programs, or TARP for short, which my office originally funded back in 1974. This five-year study of how gov-

ernment, business, and consumer organizations responded to consumer complaints, pointed out many deficiencies, but at the same time showed business that consumer responsiveness was good for the bottom line. "TARP" recently conducted another study for Coca-Cola Company showing that consumers who were not satisfied with the way their complaints were handled told almost twice as many people about their experiences compared to those whose complaints were satisfied. With this type of research, it's much easier for industry leaders to understand the high stakes in their consumer policies.

At the Federal level, we also have a high stake in our dealings with consumers, and I believe we are making progress and have solid support for our programs. After my appointment by President Reagan as Special Assistant, he asked me to chair the Consumer Affairs Council. This Council is made up of 45 agencies which meet periodically to exchange information, become better informed about consumer and economic issues, and work towards communicating consumer viewpoints to the Administration and Administration policies to consumers. At the same time these agencies have been busy building their consumer programs. Even with smaller budgets there is much enthusiasm and a great deal of activity. To detail this activity, we are now in the process of writing a report that will be submitted to President Reagan. As one example of some of the myriad of programs, the Consumer Advisor in the Department of Agriculture sits on all ten committees of the Secretary's Affairs Working Group of the Food and Consumer Services Committee. Through these mechanisms, consumer issues can be addressed in a coordinated manner.

As an other example, the Department of Commerce's Office of Consumer Affairs has published a five-part series on how business can help consumers and provide better service. This series was produced with the assistance of corporate consumer affairs representatives and state and local consumer protection agencies. Extending this program, the Department has launched "Project Main Street," where business groups and local consumer protection offices are joining consumer experts in community workshops on mutual problems.

And a recent activity is one in which the President was personally involved. He was joined by the National Highway Traffic Safety Administration in a Rose Garden Ceremony launching a nationwide "buckle up" campaign to encourage consumers to use seat belts. It is ironic that motorists still fail to use one of the greatest automobile safety features available to them. But this safety campaign is intended to turn this hesitancy around and reduce the 50,000 deaths and 3.5 million injuries that occur each year from traffic accidents.

So, I think we can say that we have made great strides over the last decade, and that there is the energy and enthusiasm in all sectors to continue this progress in the interest of American consumers. There is a greater realization that

consumers and business have basically the same interests: namely, a growing, productive economy producing quality goods and services at reasonable prices. And it is this recognition of common interests that constitutes what can be called the "maturing of the consumer movement."

This is all, of course, being done with the Administration's economic recovery program as a backdrop. With regulatory relief taking shape and the consumer price index showing that inflation has been brought under control, we expect further injections from the President's economic program to restore the health and vitality of our economy.

The public and private initiatives I have described will be of fundamental importance as we open up new dimensions in productivity and economic growth. We face a future of enormous and exciting change in our individual lives and in the marketplace. How well we will cope will depend upon our institutional readiness and our educational preparedness.

As Graham T. T. Molitor stressed in an article in an April, 1981 issue of THE FUTURIST entitled "The Information Society: The Path to Post-Industrial Growth," we have a new economy emerging based on information rather than material goods. Molitor noted a vast array of revolutionary information services which are becoming very familiar to all of us: "electronic fund transfer systems, electronic shopping, electronic mail terminals, interactive TV, pay cable TV, teleconferencing, video recorders, and home computers." The growth of these information systems is and I'm sure will continue to be phenomenal as mass marketing reduces producer and consumer costs.

What does this mean for consumers? How do we translate it to the real world? For one thing, it means that we can in our own homes make numerous transactions by telephone and computer. A recent U.S. NEWS AND WORLD REPORT article gave an example of how one consumer, Jack Williams of Knoxville, Tennessee, paid his monthly bills by phoning his bank and plugging the receiver into his personal computer. His bank, United America, is one of a growing number of financial and banking pioneers.

In this U.S. NEWS article a whole list of new services were detailed: New York's Citibank has placed computer terminals in 100 of its customers' homes so telephone link-ups can be used to pay bills, balance checkbooks, and do other transactions. First Bank System in Minneapolis is testing 250 terminals in the Minneapolis-St. Paul area and Fargo-North Dakota to assist rural customers with bank services and also weather reports, commodity prices, and home shopping services. Other innovative systems are crisscrossing the country.

These banking examples are, of course, just the tip of the iceberg in terms of the application and utilization of new technology. You will hear about the Warner-Amex CUBE system from David

Finegold, which is the oldest inter-active system here in the United States, and is but just another example of the educational, participatory, and financial and environmental management uses of our expanding telecommunications expertise and development.

But along with this wonderful ability to communicate or gain information in new ways, we also have consumer protection issues which we must address, and in fact are now being addressed by various groups.

Within the Administration, we are studying the privacy issues and determining the applications of international guidelines established through the Organization of Economic Cooperation and Development. Several agencies, including the Departments of Commerce and State and the U.S. Trade Representative, have established an inter-agency task force to study telecommunications issues, with the privacy of individuals one of the areas of concerns.

And I understand that Dr. Deanne Nash under a contract being administered by the Consumer Education Resource Network (CERN) has developed a paper on the interactive home media and privacy questions which will be joined by four other studies and culminate in a conference in the Fall sponsored by Consumers Union and CERN. I believe all of this has implications for other researchers and educators with a technology developing that is outstripping the consumer's ability to comprehend.

As we stand on the edge of enormous changes we as consumers face, there is an even greater need for consumer and economic education. This need is not going unrecognized or unattended. A recent summary of state consumer education policies early this year by CERN's Hayden Green showed 40 states and the District of Columbia with some type of consumer or economic education policies. These policies range from explicit mandates to those where consumer or economic education is encouraged with a great deal of local determination maintained. But they all point to the awareness of how important consumer and economic education is in educating our young people to be effective in their roles as consumers and participants in our economic system.

When President Reagan proclaimed the week of April 25 as National Consumers Week, he also recognized this need. In his proclamation, he stated: "An informed and educated consumer is vital to the long-term healthy growth of our economic system. Consumer education can help us make decisions that are right for ourselves and right for our economy."

We are very pleased that this week has been set aside to focus on the consumers in our economic system, to highlight the many successful consumer education programs that are being conducted, and to expand our thoughts to consumers in an international marketplace. Activities are being planned throughout the country to bring attention to

the Week's goals. I would especially like to thank ACCI for its contributions toward the National Consumers Week brochure. It is our hope that these efforts will not be limited to just one week, but instead will be a launching pad for the future.

With all the work, successes, and progress of the past, there is still much we can do to inject new strength into the field.

Just as our society is developing new ways to communicate through technology, we need to find better ways to communicate among ourselves to expand on the consumer and economic education that is now being offered, and perhaps most importantly, provide badly needed teacher training. I think we have some experience in the pooling of resources through CERN, and also we see a desire on the part of consumer educators to join together, as exemplified by the Coalition for Consumer Education established last year, and long demonstrated by ACCI.

What we need now is some means for unifying the field of consumer and economic education, perhaps with an infusion of funds from the private sector. The potential of bringing the efforts of all the individuals and groups concerned about consumer and economic education into an organizational and institutional umbrella structure is one which I hope we can all explore.

I stand committed and ready to work with you if you choose to embark on this course. And I know you can expect involvement and assistance from someone you know very well, my Consumer Education Director, Dr. Lillian Mohr.

Thank you.



## DO CONSUMERS WANT CONTROLS ON ITEM PRICE REMOVAL?

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### ABSTRACT

Consumers who price comparison shop both within the store and at home report a higher level of dissatisfaction with item price removal (IPR) than non-price comparison shoppers. However, consumers are willing to accept IPR if adequate provisions are made to insure their capability of making price comparisons. Accurate shelf-marking and provision of self-marking devices were acceptable substitutes for consumers in this study. There is some indication that time constrained price conscious consumers will be most affected by IPR.

Consumers in the 1980's are faced with a food shopping dilemma. On the one hand they want low prices. They have illustrated this by expressing their vote in the marketplace. Increasing numbers have switched to low overhead warehouse type supermarkets. On the other hand consumers expect increasing amounts of information to be available to them at the point of sale (1). Therein lies their dilemma. Food shoppers are being told that a change in location of price information would generally reduce food costs.

With the installation of price scanners food retailers no longer need to price mark each item in the store. Some retailers have removed item prices and are expecting consumers to use shelf price tags as their source of information. Giant Food's primary argument in its defense for item price removal (IPR) was that reduced costs of operations would make it possible for them to pass savings on to consumers. While there is no debate that consumers want lower food prices it is not clear if they are willing to accept IPR even when justified as lowering the cost of food.

Item pricing has been justified on the basis that it: 1) Increases price consciousness, 2) discourages inflationary food buying habits, 3) encourages comparison shopping, 4) defends against instantaneous price increases, 5) insures against poor shelf tags, 6) verifies accuracy of price and 7) informs while shopping and at home (2).

Two recent studies have attempted to determine shopper attitudes toward scanner checkouts and the need for item prices (3, 5). A large majority of the shoppers interviewed by these researchers indicated a strong preference for item pricing. However, Harris and Mills report that level of confidence in the accuracy of prices charged in the absence of item-price marking was closely related to the shopper's experience with shopping in scanner equipped stores. For those consumers experienced with and who prefer to shop in these stores there is a greater willingness to accept IPR.

The authors of these two studies also reported some conflicting findings. Pommer et al., found that older persons were more likely to distrust IPR while Harris and Mills found that older shoppers would more likely accept IPR. Harris and Mills also reported that the majority (70 percent) of their respondents would not be confident they were paying the correct prices in an IPR store. Pommer et al., meanwhile, found that 65 percent of their respondents thought IPR would be acceptable if shelf prices were clearly marked.

Even though the Harris and Mills study was specifically written on consumer reactions to IPR they did not directly ask if shoppers would switch stores if item prices were removed or determine if opinion of IPR was related to the extent of comparison shopping. Finally, even though some consumer groups believe there should be a law requiring item pricing, neither of these studies measured food shoppers desire for such a law.

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To investigate these issues a telephone survey was conducted in the Milwaukee SMSA the last week of March 1981. A proportionate stratified sample was selected from a telephone street address directory. The strata were the suburbs and city in the SMSA. One-half of the telephone numbers used were drawn from the directory. To reach unlisted telephone subscribers and new listings, the last digit of the numbers selected from the directory was dropped and a randomly selected number was put in its place. This process supplied the remaining one-half of the sample.

There was a 15 percent non-response rate due to not-at-homes, refusals, and business contacts (resulting from the random number technique). Data were obtained from 193 households. The person who answered the questions was the one who had primary responsibility for food shopping.

#### Milwaukee Food Market

The Milwaukee market was especially appropo for this study. There was one local chain that emphasized a warehouse style of food merchandising. The store had a spartan interior, generally did not stock fresh meat, required self-bagging of purchases and utilized scanner checkouts. This chain had removed item prices and the only price confirmation was posted on the shelves. The chain did provide crayons for self-marking and by way of the loudspeaker system encouraged self-price marking and told consumers that by self-price marking they were saving money. This chain had removed item prices in 1975. Low prices were the main reasons people shopped at this chain (4).

About 6 months before this study, the dominant local chain that had been losing market share to the warehouse operation introduced price scanners into one of their stores. By the time of the study, it had scanners in 3 of its stores and had removed item prices. It did not provide any instrument for self-price marking. The only source of price information was the shelf tags. Although the chain had tried a low price promotional campaign about a year before this study, the main reasons consumers shopped at this retailer were convenient location and product selection and not low price (4).

Seventy percent of the respondents had shopped in a store that removed item prices. Twenty six percent of these shoppers had patronized one of three stores at the conventional supermarket, 70 percent one of the discount chain stores and the remaining 5 percent had been to other IPR stores outside of the SMSA.

Survey participants who had shopped in an IPR store were first asked questions related to this experience. They and the respondents who had not shopped in IPR stores were then asked some general questions related to IPR and price comparison behavior.

#### Opinion on Item Price Removal

Approximately half of all the respondents (51 percent) to this survey expressed the opinion that removing prices from each food item was a bad or very bad idea (Table 1). Only 26 percent credited the idea as being good or very good. Another 23 percent thought it made no difference. Thus the sample was evenly divided among those who would be expected to oppose IPR and those who would support or at least not object to the removal of individual package prices in supermarkets.

The opinion of IPR was related to shopping experience in an IPR store. People who have never shopped in an IPR store were more likely to have a negative opinion of IPR while experienced shoppers had a more favorable view. People who had shopped in an IPR store were asked more specifically if it made a difference to them that prices were removed from individual items. Forty percent of the participants responded that it did. The inability to make price comparisons was the primary reason respondents gave for objecting to IPR. Difficulty in adding up prices before checkout (28 percent mentioned) and the belief it took longer to shop (21 percent) were other important reasons for objecting to IPR.

For the 60 percent who thought IPR was not a problem, 30 percent believed that shelf prices were an acceptable alternative. IPR was also acceptable to 25 percent of the respondents because they thought food prices were lower as a result of IPR and 16 percent stated they did not need or use item prices.

TABLE 1. Respondents' Opinion of Item Price Removal

A. "Overall, do you think removing prices from each food item is a . . ."  
(N = 193)

|                           |     |
|---------------------------|-----|
| Very good or good idea    | 25% |
| Makes no difference       | 22  |
| Bad idea or very bad idea | 49  |
| Don't know                | 4   |
|                           | 100 |

B. Opinion of IPR according to shopping experience in IPR store. (N = 135)

Shopped IPR Store

| Opinion of IPR   | Yes | No  |
|------------------|-----|-----|
| Very good - good | 33% | 11% |
| No difference    | 23  | 20  |
| Bad to very bad  | 44  | 69  |
|                  | 100 | 100 |

$\chi^2 = 11.10$  Significance = .004

C. "Did it make any difference to you that the prices were not marked on each item?"  
(N = 135)

|     |     |
|-----|-----|
| Yes | 40% |
| No  | 60  |
|     | 100 |

D. Reasons why it made a difference

Percent Mentioned<sup>1</sup>

|                                           |     |
|-------------------------------------------|-----|
| Couldn't compare prices                   | 36% |
| Couldn't add up price before checking out | 28  |
| Took longer to shop                       | 21  |
| Hard to see shelf price                   | 6   |
| Other reasons                             | 17  |

E. Reasons why it did not make a difference

|                              |     |
|------------------------------|-----|
| Shelf prices acceptable      | 30% |
| Lower prices                 | 25  |
| Don't need or use item price | 16  |
| Mark them yourself           | 8   |
| Other reasons                | 20  |

<sup>1</sup>Multiple responses possible

## Price Comparison Shoppers

The primary reasons respondents objected to IPR was the increased difficulty in making price comparisons. It was originally hypothesized that consumers who were price comparison shoppers would be more likely to oppose IPR. Therefore, respondents were asked about their price comparison activities. Seventy percent of respondents reported they frequently to always compared prices on at least a few brands or package sizes everytime they shopped (Table 2). Fewer, 43 percent,

TABLE 2. Respondents' Price Comparison Behavior

A. Comparison of different brands and package sizes

|                                                      |      |
|------------------------------------------------------|------|
| Always - a majority of purchases every shopping trip | 38 % |
| Frequently - a few items every shopping trip         | 32   |
| Some of the time - only new brands and sizes         | 20   |
| Rarely or never                                      | 10   |
|                                                      | 100  |

B. Comparisons to item already at home

|                  |      |
|------------------|------|
| Always           | 13 % |
| Frequently       | 24   |
| Some of the time | 25   |
| Rarely           | 20   |
| Never            | 18   |
|                  | 100  |

C. Comparison to receipt tape

|                  |      |
|------------------|------|
| Always           | 26 % |
| Frequently       | 17   |
| Some of the time | 17   |
| Rarely           | 19   |
| Never            | 21   |
|                  | 100  |

indicated they frequently or always check their receipt tape for accuracy and 37 percent made frequent price comparisons to items already purchased and in the home pantry.

Significant differences .1 or greater in opinion of IPR were found for two price comparing behaviors (Table 3). The two behaviors were checking prices of brands and sizes and comparing current purchases to items in home storage. Generally people who rarely

engaged in these activities were indifferent to price removal. The people who more frequently performed these tasks tended to think IPR was bad.

TABLE 3. Price Comparison Behavior Compared to Opinion of Item Price Removal

A. Comparing different brands and sizes

| Price Comparison | Opinion |               |      |
|------------------|---------|---------------|------|
|                  | Good    | No Difference | Bad  |
| Always           | 31 %    | 23 %          | 46 % |
| Frequently       | 23      | 26            | 59   |
| Some of the Time | 32      | 17            | 51   |
| Rarely or Never  | 5       | 50            | 44   |
|                  | 100     | 100           | 100  |

$$x^2 = 12.3 \quad \text{Significance} = .054$$

B. Comparing purchases to items at home.

| Price Comparison | Opinion |               |      |
|------------------|---------|---------------|------|
|                  | Good    | No Difference | Bad  |
| Always           | 16 %    | 12 %          | 72 % |
| Frequently       | 29      | 16            | 56   |
| Some of the Time | 27      | 21            | 52   |
| Rarely or Never  | 35      | 27            | 38   |
| Never            | 17      | 40            | 48   |
|                  | 100     | 100           | 100  |

$$x^2 = 13.9 \quad \text{Significance} = .084$$

Self-Price Marking

Over three-quarters of all the respondents thought an IPR store should provide customers with some method for shopper self-price marking of item prices (Table 4). The main reasons for providing for self-price marking were to facilitate price comparison and adding up prices before checking out. When looking

TABLE 4. Respondents' Need for and Behavior Related to Self-Price Marking

A. Store should provide a self-marking instrument (N = 193)

|            |      |
|------------|------|
| Yes        | 80 % |
| No         | 13   |
| Don't know | 7    |
|            | 100  |

B. Actual usage of self-price marker (N = 135)

|                                               |      |
|-----------------------------------------------|------|
| All to about half the items self price-marked | 68 % |
| Few or no items                               | 32   |
|                                               | 100  |

C. Reasons why self-price marker should be provided (N = 193)

|                                      | Percent Mentioned <sup>1</sup> |
|--------------------------------------|--------------------------------|
| Price comparison                     | 50 %                           |
| Adding up prices before checking out | 33                             |
| More convenient for shopper          | 18                             |
| Other                                | 6                              |
|                                      | 100                            |

<sup>1</sup>Multiple responses possible

at actual behavior a fairly high percentage of the respondents actually did use price markers.

The discount food chain provided shoppers with a crayon to self-mark prices. Sixty eight percent of the respondents used this crayon to mark at least half of their items. The main reason they self-marked prices was to facilitate future price comparisons. The 32 percent who did not frequently price mark did not do so because they thought the scanner tape provided sufficient information or they believed self price marking took too much time.

There was not a significant difference in opinion of IPR between those who frequently and those who infrequently or never self-price marked. But self-price marking was significantly higher (.000 level) for those who frequently made receipt price comparisons. However, for the two other types of price comparisons there was not a significant difference in self-price marking for the frequent or infrequent price comparers.



## IPR and Store Solution

People who had never shopped in an IPR store were asked, "If your regular supermarket were to remove prices from each item, would you change stores because of this item price removal?" Sixty-four percent said they would switch (Table 5). Eleven percent were undecided and the other 25 percent would continue to shop at the IPR store. However, behavioral intentions may not reflect actual behavior.

Respondents who had shopped at an IPR store were asked if they had stopped shopping at the store. Only 28 percent had stopped patronizing the IPR store and it is important to note that IPR was a secondary reason for switching stores. Inconvenient location was the most important reason for switching. For those who continued to patronize the IPR store, lower prices was the most important reason.

### Demographic Variables and Opinion on IPR

Opinions on IPR were found to be significant on the basis of female age, education, and marital status. The most positive opinion of IPR was found in households where the female spouse was between the ages of 25 and 44.

The most negative opinion of IPR was found in households where the female spouse was 65 and over.

The higher the education level of the adult female household member the more positive the attitude toward IPR. Seventy-five percent of households with college graduate females thought IPR made no difference (44 percent) or was a good idea (31 percent). The lower the female adult members education the more negative the opinion of IPR.

Opinion on item price removal was significantly different between married and nonmarried households. In married households opinion was fairly evenly split between those believing IPR was a bad idea (48 percent) and those believing there was no differences or it was a good idea (52 percent). However, shoppers who were not married were likely to have a negative opinion of IPR (61 percent).

TABLE 5. Item Price Removal and Store Loyalty

#### A. Extent of store switching due to IPR

|                        | People who<br>had never<br>shopped an<br>IPR store | People who<br>had shopped<br>an IPR store |
|------------------------|----------------------------------------------------|-------------------------------------------|
| Continue shopping      | 25 %                                               | 72 %                                      |
| Discontinue shopping   | 64                                                 | 28                                        |
| Maybe continue to shop | 11                                                 | --                                        |
|                        | 100                                                | 100                                       |

#### B. Reasons why people stopped shopping at an IPR store

|                       |      |
|-----------------------|------|
| Inconvenient location | 29 % |
| Price removal         | 18   |
| Difficult to shop     | 8    |
| Time consuming        | 8    |
| Don't like scanner    | 3    |
| Other <sup>1</sup>    | 34   |
|                       | 100  |

#### C. Reasons why continued shopping at an IPR store

|                     |      |
|---------------------|------|
| Low prices          | 65 % |
| Convenient location | 27   |
| Other               | 8    |
|                     | 100  |

<sup>1</sup>Multiple responses with none exceeding 5 percent mentioned.

The results of an analysis of size of weekly food bill and opinion of IPR are somewhat significant (.1 level). The one definite statement that can be made from looking at Table 6 is that as the food bill increases people are less likely to be indifferent to IPR and have an opinion. But both the good idea and bad idea categories increased, with a majority of people spending over \$76 a week thinking IPR was bad. However, it should also be noted that this same group had the highest percentage of respondents (38 percent) that thought IPR was a good idea.



TABLE 6. Opinion on Item Price Removal by Demographic Variables

A. Age - Female

| Years     | Opinion of IPR    |               |                 |
|-----------|-------------------|---------------|-----------------|
|           | Very good to good | No Difference | Bad to very bad |
| 18-24     | 17 %              | 17 %          | 67 %            |
| 25-44     | 40                | 27            | 33              |
| 45-65     | 22                | 17            | 60              |
| 65 & over | 6                 | 15            | 79              |
|           | <u>100</u>        | <u>100</u>    | <u>100</u>      |

$$\chi^2 = 23.28 \quad \text{Significance} = .001$$

B. Education - Female

|              | Opinion of IPR    |               |                 |
|--------------|-------------------|---------------|-----------------|
|              | Very good to good | No Difference | Bad to very bad |
| Not HS Grad  | 15 %              | 18 %          | 67 %            |
| HS Grad      | 25                | 13            | 62              |
| Some College | 33                | 16            | 51              |
| College Grad | 31                | 44            | 25              |
|              | <u>100</u>        | <u>100</u>    | <u>100</u>      |

$$\chi^2 = 14.9 \quad \text{Significance} = .003$$

C. Marital Status

|                   | Married    | Not Married |
|-------------------|------------|-------------|
|                   |            |             |
| Very good to good | 32 %       | 11 %        |
| No difference     | 20         | 29          |
| Bad to very bad   | 48         | 61          |
|                   | <u>100</u> | <u>100</u>  |

$$\chi^2 = 10.01 \quad \text{Significance} = .007$$

TABLE 6. (continued)

D. Size of Weekly Food Bill

|            | Opinion of IPR    |               |                 |
|------------|-------------------|---------------|-----------------|
|            | Very good to good | No Difference | Bad to very bad |
| 25 or less | 15 %              | 39 %          | 45 %            |
| 26 to 50   | 27                | 21            | 52              |
| 51 to 75   | 28                | 19            | 53              |
| 75 & over  | 38                | 4             | 58              |
|            | <u>100</u>        | <u>100</u>    | <u>100</u>      |

$$\chi^2 = 10.8 \quad \text{Significance} = .095$$

Need for Item Pricing Law

Respondents were about equal in their views on the need for a law. Forty-two percent thought there should be a law, 46 percent were against legislation and 12 percent were undecided or didn't know (Table 7).

As might be expected, desire for a law was related to opinion of IPR. People who perceived IPR as bad were very much in favor of the law while people who were opposed to the law had a favorable opinion or were indifferent to IPR.

Experience with shopping in IPR environments was also related to views on item price legislation. People who had shopped in IPR stores were more likely to be opposed to legislation while people who were unfamiliar with IPR were more likely to want a law. These findings are amplified when looking at people who had experienced IPR at the discount versus conventional supermarket.

Seventy-two percent of the discount supermarket shoppers were opposed to the law. However, 63 percent of shoppers at conventional supermarkets with IPR were in favor of the IPR law.

Implications

The findings of this research support the arguments of consumerists that IPR increases the problems of comparison shopping both

within the store and at home. In spite of this there is strong evidence that consumers are willing to accept IPR if adequate

Table 7. Need for Law Requiring Item Prices

A. Overall Desire for Item Pricing Law

|                      |            |
|----------------------|------------|
| Should be a law      | 42 %       |
| Should not be a law  | 46         |
| Undesired/don't know | 12         |
|                      | <u>100</u> |

B. Need for a Law Versus Opinion of IPR

|          | Very good<br>to good | No<br>Difference | Bad to<br>Very Bad |
|----------|----------------------|------------------|--------------------|
| Pro-law  | 11 %                 | 24               | 78                 |
| Anti-law | 48                   | 31               | 21                 |

$$\chi^2 = 63.4 \text{ Significance} = .000$$

C. Need for Law Versus Experience With IPR

|          | Have not<br>shopped in<br>IPR store | Have shopped<br>in IPR store |
|----------|-------------------------------------|------------------------------|
| Pro-law  | 59 %                                | 41 %                         |
| Anti-law | 20                                  | 80                           |

D. Need for Law Versus Type of Store Shopped

|          | Discount<br>Supermarket | Conventional<br>Supermarket |
|----------|-------------------------|-----------------------------|
| Pro-law  | 28 %                    | 63 %                        |
| Anti-law | 72                      | 37                          |
|          | <u>100</u>              | <u>100</u>                  |

provisions are made by the retailer to insure the consumer's capability of price comparison. Accurate shelf-marking and the provision of self-marking devices are acceptable substitutes for some consumers. There is some indication that the increased time costs and inconvenience IPR causes will create resistance on the part of others.

All indications are that time is an increasingly important factor to consumers. Therefore, supermarkets that eliminate item prices even though they provide grease markers are likely to disgruntle consumers who perceive that to maintain the same degree of

price awareness they must provide this service for themselves. Consumers who place a lower value on their time will prefer self-price marking as long as they perceive the reduction in the cost of merchandise being inversely related to increase in the time spent. The time constrained/price conscious consumer has the greatest potential loss from IPR.

Consumers are not likely to support a movement to legislate item pricing in all stores. There is some evidence that consumers of conventional supermarkets support item pricing legislation. However the more experience consumers have had in shopping in item price removed stores the less likely they are to support such legislation. This implies that if the retailers structure their environment to eliminate the primary objections of consumers to IPR and if they further provide reduced prices, consumers are likely to oppose any legislation requiring price marking.

Whether it is possible for the conventional supermarket to maintain its service oriented environment while changing the provision of a basic source of consumer price information is not certain. Further if inflation were not a primary issue so that consumers were not as concerned about rising food prices then less support for IPR might have been found.

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## IT'S TIME TO STOP WORSHIPPING THE SACRED COW

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### Abstract

The life insurance industry, long a staid and stable segment of the American economy, is undergoing convulsive changes. These changes strike at the roots of the industry, touching product, distribution systems and company structure. Whole life insurance, long the mainstay of the industry has been under attack and has lost its status as the number one product. This article discusses life insurance industry changes with emphasis on product development.

In India, for religious reasons, the cow is sacred. It receives reverent respect, and people will starve rather than slaughter it.

In America, for no sound reason, the type of life insurance called whole life (the kind that builds cash values) has been elevated to the economic counterpart of a sacred cow. The life insurance industry has attempted to have the purchase, ownership and retention of whole life treated as no less than an emotional experience, and it has succeeded in its attempt.

But whole life - once an outstanding product - has simply become a victim of inflation, high interest rates and changing consumer needs. These conditions have made whole life obsolete, and the life insurance industry has been challenged to market better products.

The sad part in this story is not that this has happened, but the fact that the life insurance industry as a whole has not recognized this fact. Rather than face reality, many continue to worship this sacred cow.

Because whole life served the industry so well for so long, it has been made a holy relic and criticism of it forbidden. In so doing, the majority of the industry has lost the ability to retain any reasonable degree of objectivity. As a result, any criticism of the product or suggestion of change appears as a threat and is, thus, emotionally resisted to the end.

Whole life insurance (also called permanent, endowment, limited pay) has been the mainstay of the life insurance industry for generations. It has been, and continues to be, the industry's most profitable product.

Ah yes, profitability. For this reason - and this reason alone - the life insurance industry has constructed a special aura around the whole life product. A mythical holy relic has been conjured, and criticism of it is treated as

heresy.

Reverence aside, though, it has become obvious that our turbulent economic times have made whole life a bad buy. Here's why:

### Whole Life Offers a Poor Return

The Federal Trade Commission, for example, found that a 35-year-old male's policy offers an average return - return is really too kind a word - of minus 8.36 percent after five years; 1.43 percent after 10 years; and 4.45 percent after 30 years. Another study by Consumers Union found similar results.

With the average whole life policy remaining in force for seven years, it's giving the product the benefit of the doubt to say the average return is in the 3 to 4 percent range.

When inflation was 1 or 2 percent, and the prime rate hovered in the 5 percent area, whole life was a reasonable purchase. But now, virtually every recent independent and objective study conducted by financial experts has reached the same conclusion - whole life is not an attractive product in today's marketplace.

Even the most ardent defenders of whole life rarely cite financial return as one of the product's strong features! Those who do speak of the "forced savings" that whole life requires. The billing structure, they point out, forces people to save some money they ordinarily might not. That's a fine feature. Most of us have a difficult time saving or investing the amount of money we should. But must one pay such a severe penalty - 3 to 4 percent interest - in order to accumulate money in a life insurance product?

### Whole Life Is Too Inflexible

The inflexibility built into whole life's basic design - fixed premiums, fixed death benefits and fixed values - restricts adaptability to changing personal needs.

Whole life assumes that a 30-year-old individual who buys a policy will not experience any change in personal financial objectives, needs or desires for the next 30 to 40 years. Not true. Today's buyer realizes that personal needs do change, as do economic conditions in general. People want and need flexibility to adapt to the environment around them, and the fixed, long-term aspects of

<sup>1</sup> President and Chief Executive Officer

whole life simply do not offer a proper solution.

Irwin W. Goldberg, CLU, senior consultant for the Life Insurance Marketing and Research Association recently said in an industry publication, "The traditional permanent products lack the flexibility that the marketplace seems to be calling for. Although part of the flexibility includes the need to be able to make future premium payments in any amount, at any time . . . it is even more than that . . . (also needed is the) flexibility to increase the face amount of the contract to keep pace with inflation and increasing needs . . . The ability to make lump sum payments is (yet) another element of flexibility. The traditional product lacks this flexibility...."<sup>2</sup>

#### Whole Life is Inappropriately Designed

Whole life's design, in fact, is anathematic to the type of product that best suits inflationary times. The policy promises today's dollars for tomorrow's needs, and even moderate inflation dramatically affects the present value of a long-term policy.

A national magazine notes that "If current rates of inflation continue, even a \$250,000 life insurance policy bought today would not be worth much in 20 years . . . ."<sup>3</sup>

#### Whole Life Overcharges Those Who Need Insurance Most

Perhaps whole life's biggest flaw is its pricing structure which maintains highly touted level premiums by overcharging younger people for the cost of death protection.

It's argued that level premiums enable policyholders to keep their policies when advanced age would ordinarily raise insurance costs. The problem, though, is that most people don't need permanent insurance. By the time the premium is less than the death cost - usually around age 65 - the need for large coverage has diminished.

It's when a person is young, raising a family and building a career that insurance is needed most, and the excessive costs built into whole life prevent younger people from buying all the coverage they usually require.

#### Whole Life Decreases Death Benefit Coverage as the Policy Matures

As the policy's cash value increases, pure insurance coverage decreases. A person who purchases a \$100,000 policy and pays \$2,000 premiums finds that as cash value builds - say to \$25,000 - the insurance is actually reduced. At death, the insurance company pays \$75,000, and adds the insured's \$25,000 cash value to make up the \$100,000. Of course, despite this reduction

in pure coverage, the premium remains level at \$2,000.

In sum, the longer we keep a whole life policy, the more insurance we provide for ourselves through a build-up of cash values, and the less risk the insurance company must shoulder.

#### Whole Life Confuses Policyholders.

The product is so complicated that it goes against one of the principles of the consumer movement - full disclosure as to value. The interweaving of death protection and cash accumulation into one bundle makes it almost impossible for the consumer to learn either how much the insurance is costing or how much return is being paid on the savings portion. Said FTC Chairman Marco Perstschuk, after a whole life study, "I think it is only fair to say that no other product in our economy that is purchased by so many people for so much money is bought with so little understanding of its actual or comparative value."<sup>4</sup>

Perhaps the most accurate and succinct summary of whole life's problems was offered by Lynn Brenner in her article in a recent financial publication. She wrote, "An inflationary economy, stratospheric interest rates and an increasingly sophisticated consumer have made the whole life policy - the industry's basic product and biggest money-maker - obsolete."<sup>5</sup>

Still the industry clings to whole life and appears set to defend it down to the last policyholder dollar. Why?

Because it knows that if you knew the facts about whole life, you not only would stop buying new policies, you would cancel what you have just as fast as you could.

The defenders of the industry will say that's not true. They say they want to give you all the facts. But if the companies really wanted you to know the facts, why did each state legislature have to pass a law before companies would give you the right to have a free look at a policy you were buying?

If the insurance companies really wanted you to know how much your insurance was costing, why did it take legislative action - fought by the industry - before the company would give you a cost disclosure about your policy?

If the industry really wanted you to know what you were buying and what value you were getting in return, why, when the FTC released its study on the cost and value of whole life, did the industry mount one of the most intense lobbying campaigns in the history of Washington?

<sup>2</sup> Irwin W. Goldberg, "Another Perspective," National Underwriter, 31 October 1981, p. 11.

<sup>3</sup> Time, May 25, 1981.

<sup>4</sup> Chicago Sun Times, July 11, 1979

<sup>5</sup> Lynn Brenner, "Can the Life Insurance Industry Survive?", Institutional Investor, Sept. 1981, pp. 173-185.



If the industry really wanted to do best by the consumer, why does it stand alone as the only industry that tries - and tries hard - by regulation to prevent people from switching to new and better policies?

#### Hiding Behind Taxes and Low Loan Rates

In defense of whole life, some industry stalwarts raise two points - the outdated tax structure under which life insurance companies must operate, and the artificially low interest rate charged on policy loans.

Neither point is valid. In fact, by attempting to transfer blame to the federal government or the policyholder, these guardians of whole life's holy grail are admitting that whole life is not a competitive product. They're saying, in effect, that if we didn't have such high taxes, and if we could charge policyholders more to borrow their own funds, we'd be able to offer a better product.

Look at the facts. First, taxes are actually down, not up. A major national newspaper noted this truth when it reported, "The life insurance industry paid \$2.55 billion in federal income taxes in 1980, down from \$3.27 billion in 1979, and the lowest since 1977."

"The Treasury, in a new survey of 22 big mutual life companies, found that the insurers' estimated federal tax liabilities in 1981 fell 41% from 1980 levels. This follows a previous 35% drop for the 22 companies between 1980 and 1979, says Howard Nester, a Treasury economist."<sup>6</sup>

Second, even if the federal government - and not the companies themselves - is to blame for whole life's deficiencies, the logic of the second point is questionable.

The low rate on policy loans is considered by most consumers to be the only good thing about whole life. Yet the industry wants to raise the interest rate to the level of the Moody's Bond Index. The argument is that increased rates will permit payment of higher dividends and improve the product's marketability.

It appears, however, that the industry is really proposing to make an already unattractive product even worse. Will people really wait in line to buy an inflexible product that returns 4 percent and charges 12 to 14 percent to return money to owners? Not likely!

The industry is very emotional and aggressive in its defense of whole life. But, it's very much a "do as I say, not as I do" argument.

Do you know that one of the few things most life insurance companies don't own is whole life?

That's right!

The industry spends millions of dollars to train its agents to sell key-man insurance, deferred compensation and insurance in pension plans. You know the product they recommend?

You've got it! Whole life! And they are good at it. There is many a company whose president or comptroller demands nothing short of 15% return on total capital invested, but is willing to take 3% on capital invested in life insurance. Quite a sales job!

But what do life insurance companies do with their own advice? I have yet to see a company that even buys key-man insurance, let alone buys whole life. I have never yet seen a life insurance company fund its pension plan with life insurance. I wonder if they know something you don't?

Everything for the greater honor and glory of whole life. When a company goes out to reinsure a risk, do you think they buy whole life reinsurance? Not on your life! They buy one year term and invest the difference!

They do that, but if an agent recommends it, he is on the black list.

Do you know what the really sad part about this story is? Despite the fact that billions and billions of dollars are expended on life insurance, the average person is only insured for about two years of income. That's because people have been led to believe that they had to spend two to four times more than is necessary for the coverage they own. It's a very sad story!

Someone listening to me up to this point might somehow get the impression I am against insurance and the insurance industry. Let me assure you that is an incorrect assumption.

I'm not against the life insurance industry being successful. On the contrary, I hope very much it can increase its success! (After all, life insurance is my chosen career.)

What I am against are the outmoded concepts and products being clung to by a bloated, lazy industry. I am against multi-billion dollar companies taking the position that the piling up of enormous assets means they can't be wrong in what they do. This position rests on the philosophy that the consumer is dumb and will continue to remain so. That's what I'm against, and that's what will kill the life insurance industry if it persists.

The fact of the matter is that you - today's consumers - are not dumb, and in today's economic climate, cannot and will not continue to accept inferior return on financial products.

<sup>6</sup>Wall Street Journal, January 29, 1982.

## Taking The Innovative Route

If, as alleged, whole life is not a good consumer product, what do we do? We move in the direction of the universal life concept. This does not mean that today's universal life is the ultimate answer. The concept is sound, but present products are still in primitive stages compared to what will be sold within five years.

Innovative companies are moving to give the buyer more flexible coverage with higher-yield returns, and the policyholder actually has a no-lose opportunity with this new generation of products. There is a guaranteed minimum return that equals or exceeds that of traditional whole life policies, plus the chance to share in the excess of return over and above the minimum guaranteed level.

Future contracts will allow policyholders to put funds into anything from diamonds to municipal bonds. Cash values will be invested in treasury bills, common and preferred stock, real estate, coins, guaranteed-interest money market funds and other similar investment vehicles.

These investment lures combined with affordable, reasonable death benefits represent our industry's best hope to attract consumer dollars in growing numbers.

How can companies offer this attractive product mix? By adopting a philosophy more reflective of the dynamism of today's investment world. Policyholder funds are no longer sunk into 20 and 30-year maturities, a traditional practice that quickly locked insurers into returns grossly below prevailing market rates available to new investors. Companies are also accepting returns that are more realistic, and allowing excess profits generated by an improved investment climate to flow back to the policyholder.

Most young companies espousing this new philosophy of sharing excess risk or gain with the policyholder do so via the universal life concept. Of note, however, is that current universal life policies, while far superior to existing whole life contracts, still have rough edges. There are, for instance, as of this writing, unresolved tax questions. At issue: is universal life really life insurance or a disguised investment vehicle?

Many universal life products also have confusing fees that make it difficult to learn the loading charges and the actual rate of return on cash values. Too, cost of term insurance is still quite high compared to pure term.

Despite its problems, though, universal life is a move in the right direction. And until it is perfected, there is yet another alternative for

whole life policyholders.

## Looking At Options Available Today

At ITT Life, the alternative to both whole life and universal life is called "Signature Series", which combines low-price coverage with a tax-deferred, high-yield annuity. While not universal as such, the product is essentially a "universal shell" that delivers the same benefits (flexibility, unbundled charges and near-money-market returns) without the potential problems that could impede universal life's growth.

A policyholder can design a program to meet personal needs - for instance: change, increase or decrease death protection; and increase, decrease or stop premium payments.

Because the Signature Series keeps the death protection portion separate and distinct from the cash accumulation portion, policyholders easily discern the true cost of insurance and the yield on funds credited to savings. And there are other advantages: no heavy front-end loads on the cash accumulation portion, no tax questions such as those that plague universal life, level premiums (if desired), tax-deferred savings, income-tax-free death benefits and an option to structure premiums in such a way as to "force savings".

We believe this type of product is more reasonable and practical for today's consumer, and we're urging others in the industry to follow our thinking.

In sum, whole life policyholders, for the first time, are being offered a true alternative. They're discovering that it's to their advantage to replace their policies with one of these new products.

And make no mistake, replacing a policy is a real alternative. Replacement of an existing whole life policy has always been considered taboo in the insurance industry. What infidel would kill a sacred cow?

But we're not talking about something sacred. What's being discussed is simply a product that no longer meets consumer needs. Something better is being developed, and the old product should be replaced.

This sentiment was echoed by Arthur Milton, author and financial advisor, who said in a large daily newspaper, "In this era of runaway inflation with the high interest rates available on investments, it is absolutely absurd in most cases for consumers either to continue cash value life insurance policies or buy new ones. People are paying for life policies that have been eroded steadily by inflation and are now practically worthless."<sup>7</sup>

<sup>7</sup> Arthur Milton, "It's Your Money", *Miami Herald*, 28 July 1981.

Other experts offer similar advice. Venita Van Caspel in her latest best-selling book, wrote, "The belief that you will lose if you change your insurance may have scared you away from the common sense program of pure protection based on need. Your concern should not be how much you will lose by dropping your existing savings policy. This money has already been lost. . . Your real question is, "How much will I lose in the future by keeping a high-cost, low-protection policy?"<sup>8</sup>

The key is to compare existing or proposed whole life policies with the new and different products now being marketed. Not to do so may cost consumers thousands of dollars and deprive beneficiaries of much needed benefits.

If you own whole life insurance, I'm so convinced that it will be to your advantage to compare old with new that I make the following offer.

If you compare, and I can't show you that this new concept is head and shoulders better than whole life, I will donate \$100 to your favorite charity - and that could be you. If you own whole life, your favorite charity might be the insurance company that sold it to you.

What would I recommend you do? I suggest you pick a company that is offering this new concept - there are a number of them, but I'm not going to help the competition - ask this company to provide you with a detailed comparison of your current whole life and the new concept. As I said, you will be amazed by the difference!

If you are still in contact with your agent, ask him to get you a comparison proposal. Of course, if he is reluctant, remember that he is getting constant brainwashing from his company and that this new concept pays lower commissions than whole life.

If your agent doesn't know about the new concept or where to get a comparison, have him call me. I'll recruit him and help him.

Remember, it's your money. Just because the insurance companies have acted as if it were theirs, you should not be fooled.

I know that within the industry, I'm going to be criticized for my remarks here today. I have attacked and laid bare the facts of the "holy of holies" product of my industry and have committed the unpardonable sin of suggesting that you as an intelligent consumer trade in an outdated product for one better designed to meet today's economic climate.

<sup>8</sup> Venita Van Caspel, The New Money Dynamics, (Reston: Reston Publishing Company, Inc., 1978), p. 280.

I work in the only industry I can think of that makes it immoral to replace a competitor's inferior product.

But I believe these remarks must be made if our industry is to maintain any credibility with an increasingly aware and demanding consumer.

If the insurance industry does not do this, it will surely fail, and that is the very last thing I want.

I make these remarks because I believe the more aware you are as consumers, the better our products will be, and the more we will be able to sell, and the more both of us will profit.

Thank you for your time.

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## HOME WARRANTY PROTECTION: A HOMEBUYERS' PERSPECTIVE

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### Abstract

While much attention has been focused on the prevalence of post purchase housing defects, little has been focused on buyers' perceptions of probabilities of defects, cost of repair of defects, and legal recourse. This study examines these key variables to help determine how they might impact on homebuyer's decision to purchase warranty protection at the time of home purchase.

The purchase of a home is the largest single expenditure most people ever make, but often the decision to purchase is surrounded by constraints which make it difficult for the buyer to obtain complete information about the structural soundness of the dwelling or the condition of its mechanical systems. As a result, new owners sometimes encounter major unexpected defects in their homes, resulting in large repair bills which disastrously impact the homebuyer's budget at a highly sensitive time.

In 1980, the Department of Urban Development inspected a test sample of new homes and found that two-thirds of them had at least one defect costing more than \$100. This same report further stated that, during the first two years, the average newly built home has defects which will probably cost buyers up to \$1000 to repair (1).

In 1978, homes replaced automobiles in this country as the most frequent source of complaints (12) but until recently, homebuyers have had very little legal protection against faulty workmanship by builders. The law has traditionally upheld the doctrine of "caveat emptor," i.e., let the buyer beware, and has regarded the buyer as the builder's equal in terms of expertise and business understanding (11). All responsibility for land and house inspection was put on the buyer, who, once he had accepted the house, no matter how naively, found that the law was on the side of the builder.

There has, however, during the last 20 years, been a dramatic widespread reversal in laws governing the duties and liabilities of new home builders. Instead of "caveat emptor," the law has substituted a legal doctrine known as "implied warranty of habitation." This doctrine states that houses are habitable when they are: (1) free from defects caused by faulty or improper engineering standards and/or inadequate materials; (2) free from defects caused by faulty installations of plumbing, electrical, heating

and cooling systems; and (3) free from major construction defects (11). To date, over 30 states have adopted this concept.

While implied warranty protection generally is limited to the first occupants of new houses, some supreme courts in several states such as, Rhode Island, South Carolina, Indiana, Colorado, Wyoming and Connecticut have each extended warranty protection to purchasers of previously occupied houses (4, p.39; 5, p. 48; 6, p. 50; 7, pp. 51-52; 8, p. 72). This extension of warranty protection, though, is being determined on a case by case basis. Legally, the implied warranty may continue indefinitely, but most states are defining one to ten years as reasonable periods of protection for homebuyers.

In response to the increase of homebuyer complaints and legal pressures, the home building industry, during the last ten years, has formulated warranty protection plans. In 1974, the National Association for Home Builders proposed one plan for new homes which has become popular. It includes a 10-year warranty for new houses to be offered through local councils of the Home Owner Warranty Corporation (HOW) (3). For the first two years, the builder will guarantee the structure of the home and warrant it against most problems arising from plumbing, electrical and heating systems. From the third through the tenth year of the warranty, an insurance company will continue to offer protection against major structural defects and provide conciliation and arbitration procedures for resolving any disputes between buyer and builder. The initial cost of the protection (generally \$3.25 per \$1,000 of selling price) is paid by the builder, who passes the cost on to the subsequent buyer. However, because homeowner warranty programs are voluntary, many builders do not participate.

Similar programs formulated by insurance companies, real estate companies and other builders have also emerged during the last ten years of offering homebuyers warranty protection coverage ranging from one to ten years. Some have had mixed success in satisfying consumer demands.

Regardless though, of the promise of buyer protection through the use of these warranty programs, many confounding factors appear to be complicating the buyer's situation. Recent Federal Trade Commission Reports suggest that while most homebuyers face probable defects in their purchased home, they do not perceive their

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probability of trouble as being great enough to necessitate the purchase of a homeowner warranty plan (2). Similarly, while the concept of implied warranty of habitation has been adopted by over thirty states, the number of cases which have been brought to court in each state has been small. As a result, these factors have prompted some housing researchers (2) to suggest that many consumers either remain unaware of the types and availability of such protection or believe they do not need it. They state that, frequently, consumers may misunderstand what their actual rights and responsibilities are in a home buying situation.

Thus, while there are indications of increasing concern for viable remedies to problems created by post-purchasing housing defects, there is, at the present time, concern that most buyers do not understand the risk involved or their rights and responsibilities in the event of a problem. Because of the lack of understanding of buyer expectations, it is the purpose of this study to determine perceptions of homebuyers as to the likelihood of housing defects occurring within a three-year period after the purchase of their home; who they think would be legally liable for correcting such defects; what they think the estimated cost of repair of the defects would be; and under what conditions they would be most likely to purchase home warranty protection.

#### Methodology

In the spring of 1981, a six-page questionnaire was mailed to 405 Texas homebuyers located in a community of 93,000 persons. The sample was drawn from approximately 900 recent homebuyers listed in the County Court House records. To qualify for the sample, the homebuyers had to have purchased their home within the last year. Houses bought could either be new or previously owned residences. Usable questionnaires were received from 129 buyers for a response rate of 32 percent.

#### Sample Characteristics

In 1980, the Texas community surveyed ranked as the fastest-growing community in the South Central part of Texas and as the sixth fastest growing SMSA in the United States (10). As a result, 33% of the homebuyers in the sample owned homes that were less than one year old; 20% bought homes that were two to three years old; 13% bought homes that were four to five years old and 19% bought homes that were six to ten years old. Only 16% bought homes that were over ten years old. Approximately one-third (32%) of the homes were valued from \$30,000 to \$49,000; one-third (33%) from \$50,000 to \$69,000; 21% from \$70,000 to \$89,000 and 12% were valued at \$90,000 or above. Less than one-third (30%) of the homebuyers indicated that they had purchased a warranty protection plan when they bought their

current homes.

#### Findings

##### Homebuyer's Perceptions of Likelihood of Occurrence of Post-Purchase Defects

Recent homebuyers were asked how likely they perceived the chances of eight types of defects occurring within three years after the purchase of their home. These eight defects (1) cracked sidewalks and/or driveway; (2) plumbing leaks; (3) unsafe or improperly functioning fireplace; (4) cracked foundation; (5) roof leaks; (6) inadequate or improperly functioning heating or air conditioning system; (7) cracked or buckled walls and (8) septic, sewage and water leaks, were determined from information contained in a 1980 national survey sponsored by the Department of Housing and Urban Development (2) and from a pilot questionnaire administered to ten recent homebuyers in the community surveyed. The list is intended to represent those problems most likely to occur in the area studied.

Over one-half of the respondents believed that four of the eight defects identified are likely to occur within three years after purchase of a home (see Table 1). The largest proportion (68%) anticipated a problem with cracked sidewalks and/or driveways. The other problems more likely to be anticipated are inadequate or improperly functioning heating and air conditioning systems (53%), cracked or buckled walls (52%), and plumbing leaks (50%). Close to half (47%) anticipated a problem with cracked foundations. A smaller proportion anticipated problems such as septic, sewage and water leaks (30%), roof leaks (25%) or an unsafe and improperly functioning fireplace (22%).

##### Homebuyer's Perceptions of Who Would be Legally Liable for Repair of Post-Purchase Defects

Homeowners were asked who they thought (Buyer, Seller, Builder, Material Supplier, Real Estate Agent, Sub-contractor) would be legally liable for fixing each of the eight defects should such defects occur within three years of purchase of the home. The results indicate that a lack of consensus does exist among homebuyers as to who is legally liable for repair of post-purchase defect: (See Table 1). Depending on the defect, from 40 to 64% of the respondents assigned responsibility to some other party, most often the builder. The largest proportion of homebuyers assumed liability for cracked sidewalks/driveways (64%); the smallest proportion assumed liability for cracked foundations (40%). Plumbing leaks were assumed to be the responsibility of the buyer by 53% of the sample. Between 42% and 48% of the homebuyers assumed responsibility for repair of the remaining five defects. About one-half of the homebuyers thought the builder should be

responsible for repair of cracked foundation (50%), cracked or buckled walls (50%), and improperly functioning fireplaces (49%). Very few respondents (less than 6%) assigned liability for repair to the seller or real estate agent. Some liability was assigned to subcontractors (septic, sewage, water leaks, 14%; inadequate or improperly functioning heating and air conditioning systems, 13%); and to material suppliers (inadequate or improperly functioning heating and air conditioning systems, 14%)

#### Homebuyers' Perceptions of Cost of Repairing Housing Defects

When asked what they perceived it would cost to hire someone to fix each of the eight identified defects, over half of homebuyers surveyed (62%) thought repair of plumbing leaks would cost under \$200; over half (52-61%) thought cracked sidewalks/driveway; roof leaks; repair of heating and air conditioning systems and septic; sewage, and water leaks would cost from \$200 to \$599.99; and over half (55-86%) thought repair of cracked foundation and cracked or buckled walls would cost over \$600 (see Table 1). Except for estimates of the cost of repairing a cracked foundation, respondents varied considerably in their estimates of the cost of hiring someone to repair each of the other defects. In no case, except repairing cracked foundations, were more than 62% in agreement on approximate cost range.

#### Stated Probability of Purchasing Home Warranty Protection Plan

Homebuyers were asked, "If a warranty (which costs \$250 and covered the repair of the possible defects listed above for three years after purchase) had been available at the time you purchased your home, would you have bought such a warranty?" Fourteen percent said they probably would not have; 13% were undecided and 73% said they probably would have purchased such a warranty.

#### Factors Related to the Purchase of Home Warranty Programs

Because the purpose of a warranty is to guarantee repair of a defect, it was hypothesized that homebuyers who perceived themselves liable for repair of identified defects would be more likely to express a desire for a home warranty program than those homebuyers who believed someone else would be liable. It was also hypothesized that, if homebuyers believed they were legally liable for repair of the defect, and thought the defect was likely to occur, that they would be more inclined to indicate desire for the purchase of a home warranty program. Third, if homebuyers believed they were liable for correcting defects, it was hypothesized that there would be an association between perceived cost of repair of the defect and stated probability of purchasing a warranty.

Chi-square analysis was used to determine if there was an association between perception of liability (buyer; others) and stated probability of purchasing a warranty (would not; undecided; would). No significant associations ( $P < .10$ ) were indicated. For homebuyers who perceived buyers were liable, chi-square analysis was also used to determine if a significant ( $P < .10$ ) association existed between perceived likelihood (unlikely; neutral; likely) of occurrence of each of the eight defects and stated probability of purchasing a warranty; and between perceived cost (under \$200; \$200 to \$599.99; \$600 and up) of a specific defect and stated probability of purchasing a warranty. No significant associations were indicated.

#### Discussion

The major contribution of this study in addressing the problem of consumer protection from costs incurred with post-purchase housing defects is the provision of new insights into the factors and interrelationships involved in the nature of the problem; the identification of areas where further research is desperately needed to provide more conclusive findings; and suggestions for consideration to be made in the design of further research studies.

First, while this study indicates that many homebuyers do perceive that they will likely experience post-purchase housing defects, we do not know how important it is to them to have protection against the cost of repair of such defects. In the current social climate of high mobility, consumers may tend to temper estimates of risk with the knowledge that they will probably sell their home before a defect has emerged or when it is still a minor problem. Some defects may also be within the range of expectation tolerance for the homeowner. Miller's (9) confirmation of expectation model states that consumers have degrees of latitude within which they will tolerate some lowering of their expectations before they become dissatisfied. Voluntary comments written on the questionnaire by respondents lend support to this possibility. Homebuyers stated that cracked concrete was prevalent in the surveyed area due to poor soil conditions and, therefore, they did not see this as something which required repair, as it would only crack again. A further understanding of the importance of protection against risk, as well as what characteristics identify variations in levels of importance among homebuyers would contribute to more effective marketing by home warranty institutions, to the development of meaningful educational materials by consumer educators and to the design of home warranty programs which address the perceived risks of homebuyers.

Second, there was no clear consensus by the respondents as to whether the builder or the buyer was liable for repair of defects. For many defects, about one-half thought the buyer was liable

and the other half thought the builder was liable. Further research is needed to determine if this inconsistency in perceived liability for the repair of housing defects exists in other communities, and what factors relate to differences in respondents' assignment of liability. Also, further research is suggested to determine the extent of accuracy of consumers' perceptions of their legal rights with respect to post-purchase defects. Confusion in this area of responsibility for repair of defects is undoubtedly contributing to consumer and builder frustrations. Clearer delineation of responsibility is needed, along with the formulation of programs which communicate this delineation to both builders and housing consumers.

Third, a better understanding of consumers' perceptions of costs of repairing post-purchase defects is needed. Considerable variation in the perceptions of the monetary cost that would be incurred if someone were hired to repair specified defects existed. It should be determined what factors--such as age and value of home and age and extent of ability and inclination of homebuyers to perform repairs themselves--relate to these variations in perception of cost. Also, a broader perspective of costs is suggested, whereby costs of complaint behavior, of time, effort and difficulty anticipated, as well as monetary costs, are investigated. A better understanding of the types and extent of costs homebuyers perceive with post-purchase housing defects would help consumer educators design instructional material to enlighten and remove misconceptions of homebuyers. It would also contribute to appropriate design and marketing of home warranty programs.

Fourth, the findings of this study strongly suggest the need for investigation of homebuyers' understanding and perceptions of the nature, purpose, availability, cost, advantages and disadvantages of home warranty programs. Indications are that homebuyers are not aware that many home builders include provisions for a one-year warranty within the purchase price of new homes. Even though homebuyers may be aware of the builder's responsibility for repair of defects in new homes, they may not be confident that the home builder will assume the responsibility and, therefore, may desire additional protection through a more extensive warranty. Consumers may desire this more extensive warranty but find the process of obtaining it is too costly in terms of money, benefits, effort and uncertainty as to what is available. Consumer perceptions of protection from post-purchase defects which occur in a "used" house also need to be clarified. Many unknowns presently exist as to homebuyers' understanding and expectations of protection from post-purchase housing defects.

Presently, rights, responsibilities and risks in the area of post purchase housing defects are

either poorly defined or vastly misunderstood. Creative thinking and empirical studies are needed to provide effective and efficient methods of dealing with post purchase defects, both from the interest of the homebuyer and the homebuilder. Also, consumer educators need to seriously consider including, in their housing related curriculum, the nature of the problem, the current status of homebuyer rights and responsibilities, and methods of consumer recourse. In addition, policymakers and private enterprise need to consider focusing human resources on the developments of appropriate and workable protection plans. With proper attention, economic, social and legal problems such as foreclosures, unnecessary builder costs, consumer frustrations and litigation can be reduced or avoided.

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Table 1. Homebuyers' Perceptions Concerning Eight Possible Post-Purchase Housing Defects

| Homebuyers' Perceptions                             | Possible Post-Purchase Housing Defects |                |                                            |                    |            |                                                                          |                          |                               |
|-----------------------------------------------------|----------------------------------------|----------------|--------------------------------------------|--------------------|------------|--------------------------------------------------------------------------|--------------------------|-------------------------------|
|                                                     | Cracked sidewalks/driveway             | Plumbing leaks | Unsafe or improperly functioning fireplace | Cracked foundation | Roof leaks | Inadequate or improperly functioning heating and air conditioning system | Cracked or buckled walls | Septic, sewage, & water leaks |
| <u>Chance of Occurrence</u>                         |                                        |                |                                            |                    |            |                                                                          |                          |                               |
| Likely                                              | 69                                     | 50             | 22                                         | 47                 | 25         | 53                                                                       | 52                       | 30                            |
| Neutral                                             | 9                                      | 14             | 21                                         | 14                 | 17         | 17                                                                       | 12                       | 21                            |
| Unlikely                                            | 22                                     | 36             | 57                                         | 40                 | 58         | 31                                                                       | 36                       | 50                            |
| <u>Party legally liable</u>                         |                                        |                |                                            |                    |            |                                                                          |                          |                               |
| Buyer                                               | 64                                     | 53             | 42                                         | 40                 | 44         | 46                                                                       | 43                       | 48                            |
| Builder                                             | 30                                     | 25             | 49                                         | 50                 | 42         | 21                                                                       | 50                       | 32                            |
| Seller                                              | 3                                      | 5              | 2                                          | 3                  | 4          | 4                                                                        | 2                        | 2                             |
| Real Estate Agent                                   | 0                                      | 3              | 2                                          | 6                  | 2          | 3                                                                        | 2                        | 2                             |
| Sub-Contractor                                      | 2                                      | 12             | 3                                          | 0                  | 7          | 13                                                                       | 3                        | 14                            |
| Material Supplier                                   | 2                                      | 2              | 3                                          | 0.8                | 0.8        | 14                                                                       | 0                        | 2                             |
| <u>Cost of repair (if someone hired to do work)</u> |                                        |                |                                            |                    |            |                                                                          |                          |                               |
| Under \$200                                         | 32                                     | 62             | 23                                         | 3                  | 12         | 9                                                                        | 10                       | 16                            |
| \$200-599                                           | 53                                     | 35             | 49                                         | 12                 | 52         | 54                                                                       | 35                       | 62                            |
| \$600 & up                                          | 16                                     | 3              | 28                                         | 86                 | 36         | 37                                                                       | 55                       | 22                            |

Note: Some do not add to 100 percent because of rounding



# CITIZEN SATISFACTION WITH GARBAGE REMOVAL SERVICE: PUBLIC VERSUS PRIVATE PROVISION

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## Abstract

With current emphasis on decreased government spending, municipalities are considering private provision for some community services. Garbage collection is one service provided by the private sector in several communities. This paper reports citizen satisfaction with residential garbage removal service provided by both private and public sectors within the same metropolitan area.

## Introduction

There is a current movement to oppose big government and big spending by government, as Americans realize they spend more on taxes than on most other expenditures [3]. In many recent local elections citizens have voted for propositions which would decrease taxes, and defeated propositions which would increase taxes. The effect of such actions is the reduction in governmental services, as state and local governments struggle with budget cuts resulting from reduced tax revenue. At the local level, much of the tax dollar goes to provision of basic municipal services such as police protection, fire protection, sanitation services and schools. As a result of budget cuts, some municipalities are having to cut back provision of certain services or find ways of decreasing expenditures on services. In an effort to lower costs, some local governments have begun using the private sector for provision of certain services.

Studies comparing private and public provision have shown that where small municipalities and rural areas are concerned, the private sector may be more cost-effective than the public sector for such services [4,9,12,16]. Emphasis with these studies has been on dollar cost. However, cost is not the only consideration. Evidence exists that in small towns and suburbs, the quality of service may be increased with private provision rather than public provision [17]. Literature has been from business and public policy studies and there has been little focus on citizen satisfaction, except as an overall measure of all community services [5].

There are a multitude of services which could be provided through the private sector. Ultimately, research in the broad area of services is of interest. However, as a beginning endeavor, it seems wise to focus on one service.

Garbage removal in most communities throughout the nation is a service provided by the local governments. However, garbage removal is being provided in both the private and public sector in some areas [14]. Several studies have compared private to public provision of garbage removal, focusing on costs [4,12,13]. Such studies have omitted citizen opinion of the service. The Urban Institute has recommended that local governments annually conduct citizen surveys to aid in evaluating city services [8,13]. Evaluations can be used as an indicator of areas where budgets and service cuts might have the least negative effect on the citizenry.

Garbage removal service is relatively easy to measure in comparison to education and social services, and offers a logical starting point of analysis of consumer satisfaction with public services [13]. This paper reports on a study which assessed citizen satisfaction with garbage removal service by public and private sectors.

## Types of Service Delivery

Garbage collection has often been provided by local government. Public provision provides for garbage removal by employees of the local government with tax revenue paying for the cost involved. Another way to provide this service is to use a private agency. There are a variety of ways in which the private sector can provide such a service.

One way a private firm can deliver the service is by contract with local government. In this case, local officials select a private firm to provide a specified service or services to all residents in a given geographic area. The city or county pays the private firm directly from tax revenues or via a user charge which each resident will pay to the city. Thus, there is only one provider of the service, that being the company which has been contracted to provide such service. The contract may specify the level of service, including items such as frequency of garbage pick up. Oftentimes, several private agencies will bid for the contract, and local government will select one [4].

Franchising is another system of private provision. In this case, the private firm is given authority by the local government to provide service, but each individual has the choice to use

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or not use the service and each household is billed individually. In some cities the service is mandatory, but households are still billed individually [4].

Another system is one where local governments make no arrangement with private firms. The private firm (or firms) solicits subscribers from residents. If a resident subscribes with the firm, he or she is billed by the firm and pays them directly.

Some cities may have private collection with or without regulation and the market may be competitive, depending upon the presence of more than one private garbage collection firm. Other cities may encourage competition, but also have some regulation; for example, they may require the firms to obtain a license or even mandate price regulation [4].

There is considerable controversy over which system is the best. Differences exist among the systems which make comparisons difficult. Cost per household is difficult to measure with public provision because a certain amount of city revenues are allocated to the sanitation department, and allocation is not on number of households, per se. Furthermore, cities do not have to pay taxes and do not operate in order to make a profit. Cost of private firms include billing expenses and taxes, and must allow for profits to be made.

To those who favor private provision,

government has become a bloated, multitiered bureaucracy employing antiquated management techniques, outdated equipment, and far too many civil service and patronage workers with little or no incentive to do a good job. [14, p.58]

Those who favor public provision argue that

public agencies, by their size, are better able to capture economies of scale, that public servants are actually more devoted than private employees, and that government is more responsible to people's needs and wants, as well as more attentive to the basic public benefits that government services are supposed to provide. [14, p.58]

#### Review of Literature

Garbage removal service is worthy of addressing for a variety of reasons. One is cost, which relates to the problem communities are addressing now, as budgets get tighter. According to Young,

...about 80 percent of expenditures for solid waste collection and disposal is devoted to collection. Especially in our

large cities, lagging productivity in collection is an outstanding problem. [16, p.13]

Young says there is need for improving labor productivity. There is evidence that garbage collection costs were cut by two-thirds in the western part of the United States when municipal monopolies were subject to competition [9]. Furthermore, because of direct contact with garbage removal, it is listed as a problem of concern by residents, even ranking ahead of crime and housing [13].

As mentioned earlier, garbage removal service is easier to measure than many community services. However, that does not mean that there is no difficulty, or controversy over how to measure the service. Caputo states that there are two parts to program evaluation:

- 1) maximum efficiency (providing the service at the lowest cost) and
- 2) maximum effectiveness (providing satisfactory service for the cost) [1].

Measures of efficiency have been defined in terms of tons of garbage collected per dollar, number of residential customers served per dollar, the average percent of vehicles out of commission at any one time and the percent of crew shifts with shortage of personnel [7]. Such measures omit citizen input which could determine other areas of concern about the service, such as cleanliness of the garbage site after collection.

A study done by Edward and Sterns compared various methods of private provision of garbage removal, and found that the best scheme was where a local government contracted with a private agency. The cost-savings was greatest in small cities. The same study found that if the private firms operated in more than one city, costs could be lowered without a decrease in quality of service delivery. Quality was measured in number of residents serviced and other objective variables, and excluded citizen opinion [4].

Another study which compared cost of municipal service with the prices charged by private firms, found that for cities with less than 50,000 population, there was no significant difference between cost of municipal collection and price of contract collection. For cities over 50,000 population, cost of municipal collection was 29-37 percent greater than the price of contract collection. For cities of all sizes, price of private subscription collection was significantly greater than the price of contract collection, and for cities over 50,000 it equaled price of municipal collection\* [12].

\*Private subscription collection here refers to the kind of private service where the individual subscribes directly with a private firm.

Citizen satisfaction studies can be helpful to government policy-making officials. However, the value of an attitude survey, as Fowler cautions, lies in the way officials use the survey data [6]. Furthermore, citizen preferences change over time, and that while individuals might want to increase public services, they might not want all public services. If they were told what the total budget was and what the various services cost, they might choose certain services and omit others [2]. Many of the public services provided by local governments have specific, identifiable users, and non-users. Such services could be more easily shifted to the private sector than other public services.

In a study of citizen participation, Rogers and Friedman found that residents who were dissatisfied with current service delivery wanted more involvement in local decision making. The researchers also found that whites in working and middle-class neighborhoods were more interested in having input into decision making than other groups. There were no differences among ethnic groups on control of several community services including sanitation services [11].

Recent literature on assessing citizen evaluation of publicly provided community services showed that citizens were more apt to be dissatisfied with a service with which they had direct contact, such as garbage removal [5].

#### Tucson Situation

The citizens of the Tucson area are currently offered a variety of services for garbage removal, basically by two main providers. The city of Tucson services residents who live within the city limits. SCA, a privately owned firm, services residents who live in the Greater Tucson area, but outside the city limits.\* SCA offers a private collection by subscription, rather than through a franchise or contract with local government. The following information is on the particular provisions in the Tucson area, both public and private. The information was gathered from interviews with city and private firm officials.

Most citizens living outside the city limits are currently paying for garbage removal by SCA, even though the service for them is optional. The monthly fee incurred by these consumers is broken down into the type of service the consumer chooses. "Can on the street" service requires the consumer to place the garbage cans on the curb on pick up days. This is the least expensive service SCA offers. Another level of service is where the cans are kept underground and the SCA employee has to lift the can from the underground container. Those who have underground containers

\*SCA, is the name of the firm (not an abbreviation). It is a national firm and services many areas within the United States.

are required to do so by the subdivision and the consumer has no choice about this level of service, other than to move. This service costs more than the "can on the street" service. A third level of service is called "carry out" service, where the SCA employee will carry the cans out to the truck (from wherever the consumer keeps the cans), so that consumers do not have to put their garbage out. This is the most expensive of all three levels of service. As of November 1981, costs were \$6.10, \$6.60 and \$8.85/month, respectively.

According to sanitation officials in November 1981, citizens living within the city limits were provided with garbage removal service costing approximately \$2.25 to \$2.50 per household, on a monthly basis. This cost is approximate because residents are not assessed a charge and the figure comes from budgeted amounts which cover more than residential collection.

There is some question as to how accurate these cost figures are, because a study from 1975-1976 found that "all municipal governments in the United States spent \$13.85 per person on sanitation services, excluding sewage." [4, p.133]. The city of Tucson figures may not include gasoline expenses and they do not include taxes or profits which SCA has to cover with their monthly charges. Even without inflation, it would appear that either the city of Tucson is extremely efficient or the costs are underestimated. It is possible that Tucson operates more efficiently than other areas of the country for a variety of reasons. Tucson is located in a region where the weather is good most of the year; thus, costs of operating in the snow and rain are not involved. Furthermore, the close proximity of private service may have a competitive effect upon the efficiency of the city of Tucson's sanitation department.

Both public and private providers offer two pick up days per week, unless requested otherwise. In the case of holidays, both postpone service until the following scheduled day of pick up.

With regard to extra trash removal, such as branches and limbs or landscaping trimmings, both private and public providers have additional charges and will pick up upon request. Figures for November 1981 show that the city of Tucson charges \$2.75 for the first two cubic yards of debris removed and \$1.10 for each additional cubic yard. Figures for private pick up by SCA have been comparable in the past and can only be obtained by quotation of a supervisor upon inspection.

In the case of missed pickups, generally due to consumers not putting their garbage out early



enough, the private providers will go back and pick up the garbage if requested, according to an official of SCA. The city will not go back and pick up upon request. The city requires that garbage be placed on the curb by 6:30 a.m. and SCA by 6:00 a.m.

#### Methodology

The objective of this study was to assess citizen satisfaction with various aspects of service delivery of garbage removal. Comparisons of satisfaction between the private and public sectors were analyzed. Also assessed were consumer characteristics which were suspected to be associated with satisfaction levels. Recipients of private and public providers of the service were surveyed in the metropolitan Tucson area in Arizona, spring 1981.

The sample consisted of 532 households randomly chosen from among selected census tracts. Census tracts were chosen according to the type of provision, density and income. The sample was stratified according to census tract, so as to hold density and income somewhat constant. Various studies mention density as an important variable in service delivery [10,13,16]. Density will change the nature of the service. There is a big difference between having to remove garbage from ten houses on the block and only one house every mile or so. Furthermore, Savas said "...the greater the population density, the greater the impact of solid waste on public health and environmental quality, the greater the cost of service, and the greater difficulty of disposal." [13, p.206] Another major study identified a similar question by stating that residents should be grouped for study, because service may be better in one part of the city than in another [7].

Income may also be associated with service delivery. Income often defines different kinds of areas within a city or county. Citizens in high income areas may demand a different kind of service than citizens in lower income areas. Also satisfaction may vary because of the area, rather than the service. For example, if one lives in an area which is not entirely residential and the area is normally more littered with trash than an immaculately kept residential area, then it is less noticeable whether garbage personnel leave the site clean after pick up.

Six pairs of census tracts were used in this study. See Table 1. Addresses within the selected tracts were identified and every third household listed in a criss-cross dictionary within the appropriate census tract was selected to be surveyed. Telephone questionnaires were administered to adult residents residing in single family detached buildings or duplexes. Those residing in apartments were omitted because garbage removal service is different for these residences.

The questionnaire was designed for this specific study and city sanitation officials were consulted as well as officials from the private firm in the developing stages.

Data were analyzed using regression programs for specific models. Models involving interactions between density and income were appropriate for most of the aspects of garbage removal service. Citizen satisfaction with a variety of aspects was measured on a scale of 1 to 10, with 10 being the most important. The 13 aspects measured with the questionnaire are as follows:

1. Day of garbage collection
2. Hours of garbage collection
3. Frequency of collection/number of times per week.
4. Noise made during collection
5. Cleanliness of the collection site after pick up.
6. Size and weight limitations
7. Cost of collection
8. Holiday collection schedule
9. Failure to collect
10. Garbage collected on time
11. Kind of garbage collected/trash versus garbage
12. Collection site
13. Overall satisfaction with garbage removal service.

The independent variables included in the programs were: type of provision (public or private), density and medium income of the census tract and interaction terms. Demographic variables added to the models were: length of residency in current house, sex, age, and educational level of the respondent, household income and the number of people in the household.

Because of interactions between density and income, it was important to determine if the differences between public and private were significant for certain density and income levels. To determine this, tests were performed using the means within each of the twelve paired census tracts, for each of the aspects of garbage removal service.

#### Findings

There were 325 respondents who had service provided by the private sector and 207 by the public sector. When overall means of the two groups were considered, the public sector was consistently more satisfied than the private sector, for every aspect of service. However, because service may vary by density and income, each census tract was looked at individually. In this case, public recipients of the service were more satisfied than private recipients with one exception: the medium income-high density census tract. In those tracts, the private recipients scored higher than the public recipients for ten of the thirteen aspects, however, t-tests showed that the difference was not significant, thus for no census tracts were private recipients statistically more satisfied than



public recipients\*.

Both groups (public and private) ranked day of collection with the highest scores (7.97 and 6.51 respectively). It appears that, in general, residents are fairly satisfied with garbage removal service. However, standard deviations, ranging from 1.53 to 5.60, indicate a wide range of opinions.

Furthermore, when satisfaction scores are noted for specific census tracts, greater variation exists. For recipients of the public provision, the size and weight limitations received the lowest score (5.05) by residents in the low income, low density census tract. Failure to collect garbage and frequency of collection, received the highest scores (9.09) by public recipients in the medium income, high density census tract. The lowest score for recipients of private provision was for cost of collection (2.37) by residents in the low income, medium density census tract. The highest score for recipients of private provision was for overall satisfaction (9.24) by residents in the medium income, high density census tract.

Regression analyses were used to determine factors which explained satisfaction with garbage removal service. Type of provision (public versus private), density and income were significant variables for all thirteen aspects of garbage removal service, according to the regression analyses.

Satisfaction increased with density, except for private recipients in the low income tracts. This is logical because economies of scale make it possible to offer better services in higher density areas.

Satisfaction also increased with income, except for private recipients in the low density census tracts. This is reasonable in that the higher the income, the cleaner the area and in general the better the garbage service. Residents of higher income areas, tend to be more vocal when the service is substandard and this would cause the service to be better in higher income areas [11].

Length of residency in the current house was a significant variable for ten of the thirteen aspects. Age of the respondent was a significant variable for four of the thirteen aspects. The number of people residing in the household was a significant variable for two of the thirteen aspects. Significant demographic variable results are listed in Table 2. The other variables were never significant.

Length of residency and age may be related be-

\*A Bonferoni test of  $p < .01$  was used to determine if the t statistic was significant at the  $p < .05$  level.

cause older individuals may have lived in their houses longer than younger individuals. However, with Tucson attracting a large number of retired individuals, there is probably less correlation than other areas of the country. In general, satisfaction was greater for residents who lived in their houses a long time than for those who had not lived in their homes as long. The same relationship was true for age of respondent. Satisfaction was greater for older individuals and than for younger individuals. Several reasons could explain these relationships. Older individuals and those who have lived longer in their current homes may have seen a general improvement over the years in service delivery. Or perhaps they do not expect as much from the delivery service as younger residents would.

The relationship between satisfaction levels and number of people residing in the household is more difficult to understand. Respondents with more people living in their household were more satisfied than respondents with fewer people in the households. This variable was significant for only two aspects: holiday collection schedule and overall satisfaction. Both public and private providers of the service in the Tucson area have the same kind of holiday schedule, which is no collection until the next regularly scheduled collection day. It is not apparent as to why the relationship was a positive one. It was expected that households with more residents would be less satisfied, because those households would have more garbage piled up for longer periods of time. Perhaps those households realize the importance of the problem and do not have high expectations for the garbage removal service. Thus, they are satisfied that all the garbage is collected the next time, especially if there is much to be collected. Furthermore, larger households would be more impacted if the overall service was not good.

## Conclusions

The findings of this study indicate that for the metropolitan area of Tucson the public sector delivers a more satisfying service than the private sector. According to the dollar costs given by city and private firm officials, the city also delivers a less costly service.

The Tucson area differs from the rest of the nation in that it has relatively good weather year round, which may decrease collection costs. Furthermore, the city of Tucson may deliver a better service than other municipalities throughout the nation, because of the presence of a private firm. For example, if the city of Tucson delivered a poor service to city residents and the private

firm delivered a better service to those residents living outside the city limits, word spread about the service discrepancy. Such rationale has been given in the literature [9].

The comparison in this study was between public provision where residents do not pay a fee specifically for garbage collection and private provision via subscription service. Thus, city residents do not associate their service with cost of collection but private recipients do every month as they pay their garbage collection bill.

Furthermore, Savas' studies which compared a variety of types of private provision to public provision, found that the most dollar cost effective was the private contract type, not the subscription service type [12]. However, it should be noted that even the costs charged by the private firm in the Tucson area, are lower than those charged in other areas of the country. Cost of service did not receive the lowest mean score by the recipients in the study. It ranked ten out of thirteen for the private sector and eight out of thirteen for the public sector. If costs were greater, it would probably have ranked lower.

Noise made during collection was given the lowest scores by recipients of both private and public providers. This could be attributed to low scores given by those residents who are at home when garbage is collected. However, only sixteen percent of the sample was over sixty years of age and males made up forty-five percent of the sample, so that there was not a bias toward residents who are at home during the day. Low scores could have been given by residents who were disturbed by garbage being collected very early in the morning.

The findings of this study were consistent with other studies regarding density and income as important variables in the delivery of garbage collection services. For recipients of the private sector, improved services could be delivered in the low income-medium and high density areas. Improved service could also be delivered to the private sector in the medium income-low density areas.

Cost of service was rated low by residents of low income areas within the private sector. One disadvantage of the private sector is that everyone pays for his own service and everyone pays the same. Thus, the set fee becomes a larger percentage of the low income person's budget than for those at higher income levels. In the city (public sector), low income individuals pay less than higher income individuals, in the form of lower taxes. Low income groups would very likely benefit more from public rather than private provision. The presence of low-income families may signify a potential problem for those communities considering changing from public to private provision of the service.

One implication of this study is that improved collection technology, which would lower public collection costs, may be a better answer to decreased expenditures than private collection, especially for those areas with a large number of low income residents. One example of improved collection technology developed by a municipal sanitation department exists. The city of Scottsdale, Arizona instituted a system which required four families to share a large container. That container was then emptied by means of a special truck manned by one individual. Collection costs were significantly reduced and residents were satisfied with the service [15].

This study consistently found that recipients of the public service were more satisfied than recipients of the private service. Such a finding signifies the importance of citizen satisfaction surveys, as well as cost surveys. Citizens may be more pleased with public provision, even though they do not vote to increase municipal expenditures. Cities could perhaps utilize experts from the private sector to aid them in delivering garbage removal service more efficiently, rather than switching to the private sector for provision.

TABLE 1. Twelve Paired Census Tracts For Comparison Public and Private Provision of Garbage Removal Service

| INCOME  |                                         |                                            |
|---------|-----------------------------------------|--------------------------------------------|
| DENSITY | Low income<br>Low density<br>Public     | Medium income<br>Low density<br>Public     |
|         | Low income<br>Low density<br>Private    | Medium income<br>Low density<br>Private    |
|         | Low income<br>Medium density<br>Public  | Medium income<br>Medium density<br>Public  |
|         | Low income<br>Medium density<br>Private | Medium income<br>Medium density<br>Private |
|         |                                         | High income<br>Medium density<br>Public    |
|         |                                         | High income<br>Medium density<br>Private   |
|         |                                         | Medium income<br>High density<br>Public    |
|         |                                         | Medium income<br>High density<br>Private   |

TABLE 2. Significant Demographic Variables \* Private Versus Public Provision of Residential Garbage Removal

| Service Aspect                  | <u>Length of Residency</u> |                  | R <sup>2</sup> |
|---------------------------------|----------------------------|------------------|----------------|
|                                 | Beta Coefficient           | F (Significance) |                |
| Day of collection               | .008                       | 12.504<br>(.000) | .262           |
| Hour of collection              | .010                       | 17.503<br>(.000) | .251           |
| Cleanliness of site             | .007                       | 8.655<br>(.004)  | .246           |
| Noise made during collection    | .009                       | 16.441<br>(.000) | .235           |
| Collection site                 | .008                       | 9.674<br>(.002)  | .219           |
| Size and weight limitations     | .007                       | 6.936<br>(.009)  | .266           |
| Failure to collect              | .008                       | 11.822<br>(.001) | .265           |
| Cost of collection              | .008                       | 11.282<br>(.001) | .228           |
| Time of collection              | .009                       | 14.348<br>(.000) | .265           |
| Kind of garbage/trash collected | .010                       | 19.395<br>(.000) | .256           |

| Service Aspect              | <u>Respondents' Age</u> |                  | R <sup>2</sup> |
|-----------------------------|-------------------------|------------------|----------------|
|                             | Beta Coefficient        | F (Significance) |                |
| Frequency of collection     | .051                    | 6.462<br>(.012)  | .187           |
| Size and weight limitations | .032                    | 4.270<br>(.040)  | .266           |
| Holiday collection schedule | .056                    | 19.231<br>(.000) | .143           |
| Overall satisfaction        | .592                    | 23.237<br>(.000) | .180           |

| Service Aspect              | <u>Number of People in the Household</u> |                  | R <sup>2</sup> |
|-----------------------------|------------------------------------------|------------------|----------------|
|                             | Beta Coefficient                         | F (Significance) |                |
| Holiday collection schedule | .396                                     | 15.243<br>(.000) | .143           |
| Overall satisfaction        | .606                                     | 39.239<br>(.000) | .180           |

\*Significance level of  $p < .05$

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# A COMPARATIVE ANALYSIS OF ELDERLY PERCEPTIONS OF SELECTED BUSINESS PRACTICES

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## Abstract

More consumer oriented legislation designed specifically to protect the rights of low income and disadvantaged buyers became law during the 1970s than during the previous 190 years. This research focused on the perceptions of elderly consumers about improvements in the marketplace as a result of these efforts. Their responses were compared to three subsamples--a national cross-section of consumers, a sample of government consumer affairs officials, and a sample of senior business managers. The elderly perceived far less improvements than the other three samples in such areas as advertising truthfulness, corporate social responsibility, product quality, and product guarantees and warranties.

The elderly have been described as among the most victimized segments of society [40] and, in conjunction with other disadvantaged and low income consumers, as more prone to fraud and deception than other age groups [7, 29]. The reasons include a lower level of unfairness awareness [22, 25], less access to information than other consumer groups [43], physical and financial limitations, and less assertiveness in complaining about unfair business practices [22, 23, 28].

A heightened national consciousness about the consumer marketplace and other societal problems ushered in the decade of the 1970s as an era of organized consumer activism unparalleled since the 1930s [19]. The result was a wide array of business responses and government legislation and programs designed to resolve buyer problems [5]. Such activities led to improved product labeling [21], open code dating [32], unit pricing [8], truth in warranties [14], product safety legislation [37], advertising substantiation [26], truth in lending [10], and other efforts to help consumers cope more effectively as buyers.

More legislation to protect the rights of buyers has been enacted during the past 15 years than was passed during the previous 190 [3]. Consumer satisfaction and dissatisfaction as a result has been the subject of intense academic interest in recent years [11, 12, 20, 21]. Most such research has focused on representative population cross-sections and their experiences as consumers. Only limited research has been conducted to determine the perceptions of elderly consumers or other disadvantaged groups about improvements in the marketplace as a result of these efforts, even though much of the legislation was passed specifically to address the

problems of low income and disadvantaged consumers, characteristics which describe many of the elderly. As observed,

... while studies reported to date have been insightful, they have also tended to indicate a vast amount of needed enlightenment about the behavior of elderly consumers. The importance of this market segment ... from a public policy and consumer education perspective warrants substantial attention from consumer behavior researchers [13, p. 1].

The elderly as a special population segment are worthy of research for several reasons. First, older adults in the United States are one of the fastest growing population segments today. Persons 55 years of age and older are forecasted to almost double in number to over 86 million, or almost one out of 3 persons, in the next 50 years [18]. Second, persons over 55 years of age account for three out of every ten discretionary dollars spent in the marketplace, or a \$400 billion annual market [18]. Third, although older persons have traditionally been seen as a docile and largely unorganized sector of the population, the Gray Panthers and other lobbying groups are becoming more vocal in their demands. They are aggressively pushing for such changes as removal of architectural barriers, the introduction of products to the marketplace designed to meet the needs of single person households, programs of retail discounts for persons over 65 years of age, and additional legislative remedies at the local, state, and national levels [17].

## Purposes of the Research

Thus, the purposes of this research, given the above information, were to determine elderly consumer perceptions of (1) improvements in overall business practices as a result of the legislative and private sector responses during the 1970s; (2) differences between manufacturers claims and actual product quality today; (3) products and services today compared to an ideal marketplace; (4) the helpfulness of guarantees and warranties, product recall programs, and the truthfulness of advertising; (5) the performance of the business community on such dimensions as product quality, prices, commitment to consumer satisfaction, honesty, and corporate social responsibility.

## Methodology

The data for the research are from two independent sources. An elderly sample ( $n = 100$ ) was collected from homeowner couples with at least one spouse 65 or older residing in a medium-size Southeastern city. Although a completely random

sample (which might have included, for example, single person households, residents of facilities restricted to the elderly) was not employed, care was taken to sample only elderly consumer households in the buying process. Each respondent represented the household's primary shopper. In addition, personal interviews were conducted in the respondents' homes.

The second data set is based on the Sentry Insurance Company's national survey of attitudes toward the consumer movement, conducted by the Marketing Science Institute, and was used to compare selected responses of the elderly to other population segments. Three sub-samples were of special interest. A national cross-section of consumers ( $n = 1510$ ) was chosen based on updated state census population information to be representative of the adult population of the continental United States. A sample of government consumer affairs officials ( $n = 85$ ) and senior business managers ( $n = 100$ ), each representing leadership positions, were also selected systematically from sources such as the U.S. Department of Health, Education and Welfare and various offices of consumer affairs. Again, all data were collected based on personal interviews by trained interviewers [35]. The Z test for differences in proportions ( $p \leq .05$ ) was used to determine differences, if any, between the elderly and other samples.

The age and education distributions of the elderly and general public samples are shown in Table 1.<sup>1</sup> The unequal distributions of class intervals occurred because of the sampling process. For example, the elderly show a highly skewed age distribution, whereas the total public sample reflects the age composition of the public at large. The education intervals present a similar pattern. One would expect to find education levels among the elderly concentrated in the high school or less categories.

#### Findings

##### Changes in Past 10 Years and Predicted Changes

The elderly do not think that the consumer movement has led to substantive changes in business practices during the past ten years. They also feel no substantive improvements likely will occur during the next ten years, as shown in Table 2. Specifically, 53% of the respondents felt that the gap between manufacturer claims about their products and how the products actually perform has widened over the past ten years. Similarly, 90% responded that products, when compared to 10 years ago, do not last as long today. Seventy-six percent also indicated that they have lowered their expectations about product and service levels as compared to ten years ago. Finally, 81% foresee that product

quality will continue to deteriorate and 70% believe that difficulties in getting products repaired will increase. Similar perceptions have been reported elsewhere for the population as a whole [1, 2, 3].

##### The Marketplace Today Compared to the Ideal Marketplace

The elderly consumers were then asked about their perceptions of the marketplace today as compared to their concept of the ideal marketplace as a second measure over all elderly buyer satisfaction/dissatisfaction. Forty-one percent of the respondents described the marketplace today as a "buyer beware situation" while only 2% felt that the marketplace today could best be described as a "seller beware" situation, as shown in Table 3. However, 57% felt that the marketplace currently is a situation of shared responsibility between buyer and seller. Similarly, their perception of the ideal marketplace would be one of shared responsibility, as indicated by 72% of the respondents. Only 16% felt that the ideal marketplace should be primarily one of "seller beware." A sense of fairness and shared responsibility thus was clearly evident in the minds of the respondents. Previous research has also shown that consumers believe many of the problems that they experience in the marketplace are a result of their own carelessness and that consumers could do more to resolve their marketplace dissatisfactions [1, 38].

The remaining portions of the research were designed to evaluate specific dimensions of elderly consumer satisfaction/dissatisfaction with marketplace and business practices.

##### Views on Warranties and Guarantees

The Magnuson-Moss Warranty Act was passed in 1975 and is designed specifically to make detailed warranty information readily available to consumers. Product warranties are often an important element in the consumer purchasing decision process [9, 36]. Still, only 35% of the elderly consumers, as shown in Table 4, felt that most guarantees and warranties are adequate in protecting consumers and only 36% indicated that most guarantees and warranties are understandable. Forty-one percent of the general public and 48% of the business executives felt that most guarantees and warranties are adequate. Consumer affairs specialists had a significantly different view. Specifically, 76% felt that warranties are not adequate in protecting consumers while 83% felt that most guarantees and warranties are not understandable.

Ten percent of the elderly consumers, in contrast to 23% of the general public, indicated that there had been a time during the past 12 months when they decided not to buy a product because the warranty or guarantee was not satisfactory. Similarly, 24% of the general public, as contrasted to 7% of the elderly consumers, indicated there had been a time in the past 12

<sup>1</sup>Copies of all tables are available upon request from Barry Mason, Box J, University, Alabama 35486.

months that they had wanted to buy a product because the warranty or guarantee was particularly good. These findings may have occurred because the elderly make fewer purchases than other households or are less aware of the shopping information available through a careful study of product warranties, which by law must be readily accessible to consumers.

#### Perceptions of Advertising Credibility

Truthfulness in advertising and advertising substantiation have also been the subject of intense public debate in recent years. The FTC has now developed guidelines for the substantiation of advertising claims [39]. In spite of these regulatory activities, however, 54% of the elderly felt that all or most TV advertising is seriously misleading. The general public, government consumer affairs specialists and business executives were significantly less harsh in their evaluation of TV advertising. However, 55% of the business executives did indicate that some TV advertising is seriously misleading as did 55% of the government consumer affairs specialists and 39% of the general public, as shown in Table 5.

Newspaper advertising had more credibility with all of the respondents than TV advertising. Still, 48% of the elderly and the general public each felt that all or most newspaper advertising is seriously misleading. The belief that some newspaper advertising is misleading ranged from a low of 41% for the elderly to a high of 61% for the government consumer affairs specialists. Previous research has also found a basic distrust of much product and service advertising [16] and an unwillingness of some advertisers to substantiate their claims [41] in spite of the FTC regulations.

#### Product Recalls

Product recalls have become quite frequent in recent years as a result of the establishment of the Consumer Product Safety Commission during the 1970s. Sample members were read the following question to elicit their views on the issue of product recalls: "In the past few years it has been common for manufacturers to recall various products to repair or replace defective parts." The respondents were then asked their perceptions of the reasons for the recall. A strong majority of all the respondents indicated that the primary reasons for the recalls were that the companies are more closely watched and controlled than previously, as shown in Table 6. Likewise, 70% and 75% of the elderly and the general public respectively felt that more products have something wrong with them today as compared to 47% of the government consumer affairs professionals and 17% of the business executives. The elderly were less inclined to think that more products are recalled today because companies feel a greater sense of responsibility to the public. Specifically, 32% of the elderly felt that companies are more

responsible than they used to be compared to 48% of the general public, 40% of the consumer affairs professionals, and 64% of the business executives.

#### Product Quality

The elderly had very poor opinions about the quality of products offered today, as shown in Table 7. Specifically, 79% believed that "products that last a long time are a thing of the past," while 80% indicated that products fall apart before they have had much use. Only 15% indicated that the quality of goods has consistently improved through the years. Yet, 58% did feel that most products are safe when they are used correctly. Previous research has yielded similar findings on the views of consumers about product quality [3].

#### Prices

Not unexpectedly, given the current high rate of inflation, the elderly expressed great dissatisfaction with prices. Overall, 96% indicated that "business profits are high, yet they keep on raising their prices." Similarly, 80% felt that "most of the things I buy are over priced" and 36% indicated "business takes advantage of poor people or minorities by charging them higher than normal prices."

#### Commitment to Consumer Satisfaction

The elderly perceive that most companies do make an effort to respond to consumer dissatisfaction, as has also been reported in previous research [3]. For example, 78% indicated that most companies have a complaint department which backs their products and handles consumer problems, as shown in Table 7. Sixty-four percent also agreed that generally businesses stand behind their products and guarantees. Still, half of the respondents disagreed that companies try to take a personal interest in each consumer, and 60% indicated that many companies listen to consumer complaints but without doing anything about them. In spite of the problems, however, 90% of the elderly agreed that a wide variety of products allows the consumer to choose a product they really want, and 83% felt that companies generally offer what the consumer wants.

#### Business Honesty

Slightly less than half of the elderly felt that generally most companies are honest in dealing with buyers and had strong criticisms of business based on selected dimensions of the issue of honesty. Specifically, 53% felt that "what is seen on the outside of a package many times is not what the consumer gets on the inside." Salespersons particularly came in for strong criticism. Fifty-nine percent agreed that "people who sell things over the telephone are always trying to 'gip' you", 84% felt that "sometimes the salesman says one thing to a shopper but knows it's just the opposite," and 56% disagreed that when the



consumer is unsure of product quality the correct information can be obtained from a salesperson. The strongest criticism of all, however, was reserved for service departments. Ninety-one percent of the respondents felt that service departments "pad" the bill by charging for un-needed work.

#### Corporate Responsibility

Much has been written in recent years about the improved corporate stance on social issues. Many companies have appointed consumer affairs professionals [6, 15] and have instituted a wide array of other activities [30] designed to improve their corporate responsibility posture. However, the elderly, in spite of these efforts by the business community, perceive few changes in corporate responsiveness to societal issues. Only 19% agreed that the business community is actively involved in solving social problems and only 39% agreed that the business community takes an active interest in the environment. Seventy-two percent concurred that "all business wants to do is to make the most money it can." However, 47% agreed that the business community does have a strong influence on raising our nation's standard of living.

#### Discussion

A wide array of consumer oriented legislation during the 1970s was passed primarily to benefit low income and disadvantaged consumers, characteristics which describe many of the elderly in the U.S. population. In spite of the numerous changes which have occurred, widespread buyer dissatisfaction among the elderly was found in this research. For example, the elderly perceived a continuing deterioration in product quality and in the gap between manufacturer claims and actual product performance. They see the marketplace today as more of a "buyer beware" environment but believe that an ideal environment would be one of shared responsibility between buyer and seller.

The elderly also showed less trust of advertising than other population segments. They also do not believe that product warranties are adequate for protecting consumers and generally have a negative attitude overall toward business efforts to protect consumer interests. Specifically, they believe that prices are unnecessarily high, that many merchants engage in dishonest practices, and that most firms do not show a strong sense of social responsibility and are not strongly committed to consumer satisfaction. In many instances, their views are more negative than those of the general public, consumer affairs professionals, or business executives.

Research is needed to establish whether these perceptions by the elderly have occurred as a result of their lack of awareness of various private sector and governmental programs designed to protect their interests as consumers, or as a result of an inability to utilize available

information, or whether their expectations have increased faster than marketplace improvements.

One possibility for these findings is that the elderly as buyers simply have not taken advantage of the information available to them. As observed,

the more conspicuous successes of consumerism have generally been those that limited choices consumers could exercise in the marketplace, generally by imposing constraints on manufacturers and distributors [42, p. 125].

Programs designed to remove unsafe products from the market, the mandating of some product features such as emission controls on cars, and the prohibition of other products such as cyclamates in soft drinks are examples. These successes have occurred as a result of programs designed to legislatively protect consumers from their own market behavior. However, educational strategies have been less successful. Programs designed to prevent accidental poisonings [24], raise the frequency of seat belt use [33], and such information providing legislation as truth in lending have met with limited success at best [10]. The truth in lending research, for example, found that most consumers remained uninformed and that the least gains had been among low income and poorly educated consumers. Finally, reviews of studies on the uses and costs of unit pricing found that large numbers of consumers made little use of such information and that those who did use the information tended to be better educated, younger and to have larger households [8, 27, 34]. As a generalization, "attempts to increase knowledge, change attitudes, or alter behavior face formidable obstacles and are quite likely to result in failure or very little success" [42, p. 127].

Other explanations for these findings are also possible. For example, Barksdale and Perreault observed, after finding evidence of continuing marketplace dissatisfaction and frustration based on longitudinal national samples of consumers, as follows:

The exchange process is essentially an adversary one. Regardless of the service provided it can always be improved. Consequently, consumer discontent never disappears entirely and criticisms of marketing and businesses are always present [3, p. 30].

Regardless of the various interpretations which can be placed on these findings, consumer educators and public policy formulators continue to be confronted with a monumental problem in trying to improve the marketplace experiences of the elderly buyer. The elderly need training in how to seek out available information and utilize it in purchasing decisions. Assertiveness training may also be necessary to help them to bring their dissatisfaction to the attention of management when problems occur.



Research is also needed to determine the best means for making the information available to the elderly since the speed with which they can understand and interpret information often places them at a disadvantage relative to other population segments [31]. More research is also needed on reading levels of the available information and print sizes to make sure that the elderly can utilize the existing information. Finally, additional research is also needed on elderly decision processes in the evaluation and adoption of new products or services which could lower their living costs or improve their ability to make new product decisions [4, 43].

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## Abstract

Rising health care costs are a problem, especially for the medically indigent. They earn too much to qualify for government medical assistance, yet too little to afford adequate health insurance coverage.

Current proposals for health insurance reform are improvements over previous NHI proposals in that they reduce medical costs. They fail, however, to address the problem of how to subsidize the medically indigent.

There are no easy answers to the subsidization problem. Present financing through indirect means has been politically expedient, but it is regressive. An alternative is to finance through tax revenue. It is politically less popular, but is a more direct and equitable way of subsidizing the medically indigent.

Rising health care costs are a problem. Health care is costly, on both a macro and a micro level. From a macro perspective, the United States is spending increasing amounts on health care and is devoting an increasing share of its resources to health care. The Health Care Financing Administration reported that in 1965 (one year before Medicare began), for example, health care expenditures accounted for \$691 billion or 6.0 percent of the Gross National Product (GNP). That spending increased to \$993 billion or 7.5 percent of GNP in 1970 and to \$2,859 billion or 9.6 percent of GNP in 1981 (9, p. D1).

Health care expenditures are also a micro problem. They have doubled every six to eight years. No other component of the Consumer Price Index exceeded medical care's 12.5 percent increase in 1981 (9, p. D1).

## Public Policy Solutions

## National Health Insurance (NHI)

As early as 1914 legislators were suggesting National Health Insurance as the answer to curbing costs without denying equal access to all. Because most NHI proposals are based on first-dollar insurance coverage with fee-for-service reimbursement, there is no incentive for providers or consumers to economize. Therefore, costs under NHI will be exorbitant.

## Competition/Tax Incentive Health Insurance

As NHI proposals fell into disfavor, other competition/tax incentive plans grew in popularity. These plans feature: (1) access to a basic level of health care, regardless of income, (2) choice from among a number of qualified plans offered in a competitive market, and (3) correction for inequities in tax treatment of less wealthy or high-risk consumers. Central to these plans is the notion that insurance plans must provide incentives for providers and consumers to hold down costs.

Three such proposals have been introduced in the 97th Congress. They are: the Hatch Comprehensive Health Care Reform Act (S. 139), the Durenberger Health Incentives Reform Act (S. 433) and the Gephardt National Health Care Reform Act (H.R. 850). All three plans offer employees a tax-free monthly premium limit. A rebate is given by employers to their employees when the plan selected costs less than the employer's contribution. These last two provisions provide incentives for the employee to select the most economical plan.

Employers also have an incentive to economize. They incur no tax liability if their contribution goes towards a qualified health plan. They are taxed only if they contribute towards a non-qualified plan.

By defining "qualified plans" as group plans based on a prepaid annual capitation fee, the plan administrators are giving providers an incentive to reduce costs. Under prepaid plans, providers agree to work within a specified budget. Therefore, to lower costs and raise profits they will try to employ the most cost-effective treatment available.

Table 1 summarizes the major provisions of the three proposals.

## Implications for the Medically Indigent

## Who are the medically indigent?

Although these proposals will help to reduce costs, like their NHI predecessor, they do not handle the problem of subsidizing the medically indigent. The medically indigent are persons with earnings above the welfare level, but who are unable to purchase adequate health care (5, p. 3).

The medically indigent are a medigap group. They are also a difficult group in the population to define. First, they do not belong to any one family expenditure strata (Refer to Table 2).

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TABLE 1. Major Competition/Tax Incentive Health Insurance Proposals as of March, 1981 (6)

| Proposal                               | Comprehensive Health Care Act<br>S. 139<br>Hatch (R-UT)                                                                                                                    | Health Incentives Reform Act<br>S. 433<br>Durenberger (R-MN)                                               | National Health Care Reform Act<br>H.R. 850<br>Gephardt (D-MO) |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| <b>Provisions</b>                      |                                                                                                                                                                            |                                                                                                            |                                                                |
| Employer Participation                 | All employers must offer plan with 25% co-payment. Employers with 50+ employees must provide catastrophic & preventative plans. If 200+ employees 3 plans must be offered. | Employers with 100+ employees must offer 3 plans written by 3 different carriers or pre-paid health plans. | All employers.                                                 |
| Employee Participation                 | Employees not required to accept coverage.                                                                                                                                 | Employees not required to accept coverage.                                                                 | Employees not required to accept coverage.                     |
| <b>Types of Benefits Mandated</b>      |                                                                                                                                                                            |                                                                                                            |                                                                |
| .Basic                                 | No                                                                                                                                                                         | Yes                                                                                                        | No                                                             |
| .Preventative                          | Yes                                                                                                                                                                        | No                                                                                                         | No                                                             |
| .Catastrophic                          | Yes                                                                                                                                                                        | Yes                                                                                                        | Yes                                                            |
| .Annual Deductible                     | 20% of income                                                                                                                                                              | \$3,500                                                                                                    | \$2,900                                                        |
| Choice of Plans                        | No mandate, but all plans must have 25% coinsurance for hospital services.                                                                                                 | Offer 3 different plans written by 3 different carriers.                                                   | Offer at least 1 qualified plan.                               |
| <b>Financing &amp; Tax Limitations</b> |                                                                                                                                                                            |                                                                                                            |                                                                |
| .Tax-free monthly premium limit        | None                                                                                                                                                                       | \$125                                                                                                      | Equivalent to average area premium of plans actually selected  |
| Premium shared                         | No                                                                                                                                                                         | No                                                                                                         | Optional                                                       |
| Equal Employer Contribution            | Yes                                                                                                                                                                        | Yes                                                                                                        | Yes                                                            |

TABLE 2. Family Expenditure for a Family of Four, 1979 (11, p. 4)

| Family Expenditure Strata  | Median Expenditure Per Year |
|----------------------------|-----------------------------|
| Social Abundance           | \$24,193                    |
| Prevailing Family Standard | 16,129                      |
| Lower Living Standard      | 10,753                      |
| Social Minimum Standard    | 8,064                       |

For example, a family at the social abundance level of living may have medical coverage, but due to a catastrophic illness of a family member, this family may become medically indigent. In such a case, the social abundance level

family is worse off medically than the poorer social minimum level family because the former is not eligible for Medicaid, while the latter is.

Second, the medically indigent are a dynamic, not easily identifiable group. Take for example the case of a migrant farm worker in Oregon. He moves in and out of the medically indigent category, depending on his work status. Thus, the number of persons considered medically indigent will vary. When employed, the migrant farm worker is medically indigent because he earns too much to qualify for Medicaid, yet too little to afford adequate health care. When not employed, he is not medically indigent because he is poor enough to qualify for Medicaid.

Why are the medically indigent important?

The medically indigent are important because of



their increasing numbers. The National Center for Health Services Research estimated that in 1977 26.6 million or 12.6 percent of the civilian noninstitutionalized population was medically indigent because they did not have any private insurance coverage (10, p. 1). This figure overstates the actual number of medically indigent at any one time, however, because some of these 26.6 million are covered by Medicaid and/or Medicare, government-sponsored insurance plans.

Under President Reagan's "New Federalism" budget proposals, states will swap Medicaid for Food Stamps and Aid to Families with Dependent Children (AFDC) in Fiscal Year 1984. Additionally, more than forty presently shared categorical and block-grant programs and a trust fund to finance them will be turned back to the states (2, p. 1). What this means is that the numbers of medically indigent will grow.

There is growing fear among economically depressed states such as Oregon, where the February, 1982 seasonally adjusted unemployment rate was 11.2 percent (8.8 percent nationwide) (4, p. 1), that it will not be able to fund programs it takes over. Even projecting the best of outcomes, with reduced tax revenue, Food Stamp and AFDC benefits in Oregon will undoubtedly be cut. For Oregonians, a loss of AFDC benefits also means the loss of Medicaid. Thus, by default, many former welfare recipients will become medically indigent, and their numbers will rise.

#### Subsidization of the medically indigent

At present the medically indigent are financed indirectly in the private sector of the economy. Cross subsidization begins once a physician or a hospital provider bills a third-party payor such as a private insurance company or a government program such as Medicaid or Medicare. These payors, in turn, pass on their costs to employers through insurance premiums or to Medicaid or Medicare recipients through premiums and/or out-of-pocket deductible payments. When a patient has no private insurance or is unable to pay all of his medical expenses, his losses are retained by the providers or are transferred to a non-profit, pro-hospital fiscal intermediary such as Blue Cross (7; 8, p. 29).

In recent years, hospital costs have gotten so out of hand that even organizations such as Blue Cross have had to dip into reserves to cover hospital losses. As operating expenses rise, Blue Cross, like private health insurance companies, will pass on their costs to employers who purchase health insurance from them.

As health insurance costs become a major operating expense for businesses, more and more of these costs will be passed on to consumers through lower wages and higher prices for goods and services. In 1979, General Motors added \$200 to the selling price of every vehicle manufactured to defray rising health insurance

costs for their employees (1, p. 56; 3, p. 4). Unfortunately, indirect financing is regressive. It takes a larger portion out of disposable income from the poor rather than the rich, especially if they must purchase these more expensive goods and services.

#### Proposals for Change

Most proposals for health insurance reform strive for equity in subsidization. Present efforts to subsidize the medically indigent through indirect means have failed to meet this goal. Indirect financing is more politically expedient, but is regressive.

A better approach is to subsidize the costs directly through taxes. This approach is preferable for at least three reasons. First, personal income taxes are progressive. Theoretically, those who earn more also pay proportionately more in income taxes. Second, income taxes are easy to collect since they are withheld from wages and salaries. Third, all who work share in the burden of financing health costs. Therefore, all taxpayers have an incentive to keep medical costs (and hence taxes) down. Rather than developing more complex, circuitous ways of subsidizing the medically indigent, plans should be kept simple. This can best be achieved through taxation of personal income.

#### Conclusions

Rising health care costs are a problem. The United States is devoting an increasing share of its resources to health care and so are consumers. Despite a slowdown in the overall inflation rate, medical costs have continued to rise as fast as ever. Thus, medical costs are claiming an even greater share of the GNP (9, p. D1).

Several reasons for the rising costs have been identified. One is the lack of competition among providers. The other is the lack of incentives for providers, consumers and employers to economize. The three competition/tax incentive health insurance proposals before Congress address these two problems.

They fail, however, to resolve the problem of how to equitably subsidize the medically indigent--those who do not have adequate coverage because medical care is too expensive or because they do not qualify for government-sponsored programs. One reason for this failure is that the medically indigent have not been defined adequately. Consequently, even programs specifically designed to assist them have failed to reach all who are medically indigent.

Another reason stems from the method used to subsidize them. Current financing through indirect means has been politically expedient, but is regressive. An alternative is to finance through tax revenue. It is politically less popular, but

is a more straightforward, direct, and equitable way of subsidizing the medically indigent.

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PERCEPTIONS OF PERSONAL EFFICACY AND INSTITUTIONAL RESPONSIVENESS  
AS CORRELATES OF CONSUMER RESPONSES TO PRODUCT MALFUNCTIONS

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Abstract

This paper examines the question of whether consumer responses to product malfunctions are connected to broader perceptions about how the world operates. In particular, perceptions of personal efficacy and institutional responsiveness are related to the propensity of consumers to try to fix products by themselves, ask assistance from members of their family and social network, seek help from businesses and third-party organizations, buy replacements, and use items in their broken condition. In a few instances, consumer responses to produce malfunctions are related to broader social perceptions, but overall these responses are cognitively and emotionally separated from other social experiences.

Consumer researchers, marketers, and public policy makers have shown sustained interest in the topic of consumer problems and complaints. One reason for this interest is that experiences with product/services affect consumer propensity to repurchase items. A second but less often articulated reason for the study of consumer problems and complaints is that they are related --either as cause or effect--to people's perceptions of themselves, business, government, and other social institutions. For example, Arthur Best (1981) introduces his study of consumer complaints with the statement that "breakdowns in dealings between buyers and sellers affect the quality of life, the quantity of life, the reality of justice, and the credibility of governments" (p.3). The purpose of this research is to examine the relationship between (1) consumer perceptions regarding personal efficacy and institutional responsiveness and (2) consumer reactions to one type of problem--product malfunctions.

Literature Review

There have been innumerable studies of consumer dissatisfaction and complaining. To the extent that major streams can be identified within this literature, they would appear to be:

- (1) the conceptualization and measurement of consumer satisfaction/dissatisfaction (Day, 1977; Hunt, 1976; Lundstrom & Lamont, 1976);
- (2) the demographic correlates of consumer dissatisfaction and complaints (Andresen & Best, 1966; Liefeld, Edgecombe, and Wolfe, 1975; Mason & Himes, 1973; Warland, Herrmann, and Willits, 1975);

- (3) the products and services which most often present problems for consumers (Best, 1981; Best & Andresen, 1976; Council of Better Business Bureaus, 1981).

A high degree of knowledge has been generated in these three areas. Less is known, however, about the attitudinal correlates of consumer reactions to product problems.

Several studies of consumer satisfaction and complaining behavior include measures of perceived personal efficacy and perceived locus of control (the extent to which individuals perceive events as under their personal control). Westbrook (1977), for example, found that a consumer's sense of personal competence or efficacy is related to satisfaction with appliances. Measures of internal vs. external locus of control have been included in several studies of consumer discontent (Lundstrom, Sciglimpaglia, and Zikmund, 1977), complaint behavior (Faricy and Mazis, 1975; Landon and Emery, 1974; Settle and Golden, 1974; Valle and Wallendorf, 1977), and participation in meat boycotts (Zikmund and Miller, 1974). The results of these studies are inconclusive, probably because perceptions of both internal and external control could affect consumers in the same way. "Internal consumers" may complain about product malfunctions because they have confidence in their ability to achieve redress; "external consumers" may complain because they blame malfunctions on business or technology rather than on themselves (Landon, 1977). Hence, measures of internal and external control ought to be examined separately.

Studies which focus on perceptions of personal efficacy and locus of control might be called the "psychological" approach to explaining consumer reactions to product malfunctions. This would be in contrast to a more "economic" approach which examines perceptions of the likely costs and benefits of seeking assistance or redress from retailers, manufacturers, and other entities. Granbois, Summers, and Frazier (1977), for example, found that a consumer's perception of a store's willingness to provide a remedy was the strongest correlate of self-reported complaining behavior regarding supermarket items and clothing. In a more general application of this economic approach, Richins (1979, 1980) has developed and tested a model of consumer complaining which highlights the perceived costs (e.g., ease of finding someone to handle the complaint) and benefits (e.g., get price refunded or have a chance to vent anger or frustration) of

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alternative avenues of recourse.

The strength of the economic approach to consumer complaining lies in its ability to demonstrate relatively strong statistical associations between perceptions and behavior (usually self-reported). The major shortcomings of these studies are, however, the obviousness of their findings (e.g., consumers rarely complain when they see little chance of gaining redress) and their limited generalizability to different situations (e.g., to those in which the costs and benefits of various actions are difficult to estimate).

A middle ground between the psychological and economic approaches might be a "social" approach. This third approach would focus on consumer perceptions of their own ability in particular institutional settings, and thereby be more specific than global perceptions of personal efficacy and locus of control. At the same time, the social approach would also include perceptions of the responsiveness or helpfulness of various institutions with regard to a variety of problems, not just product functions. With this focus, the social approach would be more general than the economic approach.

An example of the social approach is a study by Warland, Herrmann, and Willits (1975). Their study examines consumer complaining behavior in relation to broadly conceived perceptions of business and government. They separated a national sample of consumers into three groups: (1) those who were upset about a recent consumer experience and did something about it (24%); (2) those who were upset but did nothing about it (11%); and (3) those who were not upset by a recent consumer experience (65%). They found that perceptions of business responsiveness and government responsiveness differentiated members of two or more of the groups. Consumers who were upset, regardless of whether they took action, were significantly more likely to agree that "big corporations have become so powerful that they can ignore consumer needs and complaints" than consumers who were not upset by a recent consumer experience. With respect to the responsiveness of legislators, consumers who were upset but did nothing about it were significantly more negative than either consumers who were upset and took action as well as consumers who were not upset.

Unfortunately, the findings of Warland et al. cannot be easily generalized to the study of consumer reactions to product malfunctions. The question used to assign consumers to the three groups asks whether the respondents have gotten upset recently about the way they were "treated as a consumer." This formulation suggests consumer problems of an interpersonal nature (for example, treatment by salespeople, nondelivery of goods, billing errors) rather than those related to product performance.

The social approach is also exemplified in several studies of the "world view" of consumer activists (Barnes and Kelloway, 1979; Bourgeois and Barnes, 1979; Grikscheit and Granzin 1975; Hustad and Pessemier, 1973; Sentry Insurance Company). These studies generally show that consumer activists hold negative perceptions of business and positive perceptions of government. However, what is true of consumer activists does not necessarily hold for ordinary consumers, so there remains a need to apply the social approach to the study of consumer complaining.

Studies exemplifying the psychological, economic, and social approaches tacitly assume that consumer perceptions influence the ways people respond to ("cope with") product malfunctions, rather than the other way around. Actually, several authors allege that negative experiences in dealing with product technology have "spillover effects" on the way people perceive themselves and societal institutions. As an example, refer back to this paper's opening paragraph and the statement by Arthur Best. He states that consumer problems may affect such "remote" perceptions as the quality of life, the reality of justice, and the credibility of government. A similar view is expressed by legal anthropologist Laura Nader (1980). She contends that consumer problems are a major source of alienation in modern societies. She asks, "What are the mental health consequences of consumer problems? What are the most pervasive health consequences for our democratic system of the felt powerlessness to cope?" (p. xvii). A final example of this perspective is a statement by Warland and his coauthors in the study cited above (1975). In describing people who get upset by consumer problems but take no corrective actions, they write: "In frustration they direct their anger toward the system, viewing both business and government in very negative terms" (p. 161).

Virtually all the studies of consumer complaining are cross-sectional in design (including the one to be presented below). It is therefore not possible to determine the extent to which perceptions influence coping behavior or vice versa. This awaits longitudinal research. In line with previous research, the discussion of findings will assume that perceptions influence consumer responses to product malfunctions, but the reader is invited and encouraged to entertain the possibility of the reverse process.

There is a final issue. While some studies of consumer reactions to malfunctions include measures of perceived efficacy and responsiveness, virtually none include measures of consumer knowledge. It is plausible that a consumer's knowledge of their legal rights might influence their reactions to product malfunctions. Similarly, a consumer's knowledge about the maintenance requirements of products (that is, preventing malfunctions) might affect their response to problems. In fact, the level of a person's



knowledge might serve to specify or mediate the relationship between perceived efficacy and responsiveness and responses to product malfunctions.

The research reported below therefore addresses the following issues:

1. Is a consumer's perception of their personal efficacy in various institutional settings related to the way they respond to malfunctions of technologically complex products (i.e., the way they cope)?
2. Is a consumer's perception of the responsiveness of various institutions related to the way they cope?
3. How do any relationships between perceived efficacy or responsiveness and coping vary depending on whether perceptions refer to business, government, technology, or the social world in general?
4. Is a consumer's knowledge regarding legal rights and product maintenance requirements related to the way they cope?

#### Methods

##### Sample

The sample consists of both husband and wife in 457 married couples who own homes in a northern California county. The sample was randomly drawn from the county assessor's list of homeowners. Homeowners were selected as the basis for sampling in order to maximize consumer exposure to product technology and thereby heighten the incidence of product malfunctions. Couples were studied in order to uncover intrafamily dynamics in responses to product problems. These dynamics are discussed elsewhere (Mayer, 1981). Because elderly consumers appear to have their own distinctive problems (Burton and Hennon, 1980; Waddell, 1975), couples were eliminated if both members were over 55 years old. Data were collected in the fall of 1977.

Given the sampling decisions made, less variation in the age, educational attainment, income, and occupational prestige of respondents exists than in the county as a whole. In addition, the sample was better educated and more affluent than the county's residents as a whole. These characteristics of the sample limit the generalizability of the findings but do permit examination of the relationships between consumer perceptions and reactions to product malfunctions.

##### Dependent Measures

Consumer responses to product malfunctions were measured by asking respondents to imagine both a minor and major malfunction of four widely-owned products--washing machines, vacuum cleaners,

color television sets, and automobiles. The respondent was to assume that any warranty coverage had expired. The respondent was then asked to choose the action--from a list of fifteen possible actions--that he/she would take first. The respondent was next asked to assume that the first action had been unsuccessful and choose a second action. This procedure continued until four actions had been selected. Thus, each alternative action was scored in terms of its attractiveness to the consumer, ranging from first choice to not chosen among the first four actions. Because of the low frequency with which certain items were chosen (for example, contacting a lawyer or contacting an elected official), several alternative actions were combined (contacting a lawyer and going to Small Claims Court).

Consumer reactions to the entire process of dealing with a product malfunction were also measured. Respondents were asked to rate their level of satisfaction with the sequence of actions they took in response to the most recent major malfunction they had actually experienced. On a five-point Likert-type scale, satisfaction with the entire experience, its financial costs, and its time costs were gauged. Finally, respondents were asked to rate the importance of product malfunctions in relation to other problems in their daily lives.

##### Independent Measures

There are six measures of perception of personal efficacy and seven measures of perceived institutional responsiveness. These thirteen measures are summarized in the chart below, including reliability measures (Cronbach's alpha) when several items are combined.

| Referent                                      | Efficacy         | Responsiveness    |
|-----------------------------------------------|------------------|-------------------|
| Social World in General                       | 9 items<br>(.75) | 8 items<br>(.74)  |
| Government in General                         | 7 items<br>(.85) | 9 items<br>(.87)  |
| Consumer Agencies in General                  | 4 items<br>(.86) | 4 items<br>(.83)  |
| Government in Response to Product Malfunction |                  | 7 items<br>(.83)  |
| Business in General                           | 5 items<br>(.79) | 10 items<br>(.82) |
| Business in Response to Product Breakdowns    |                  | 3 items<br>(.66)  |
| Technology in General                         | 4 items<br>(.63) | 5 items<br>(.60)  |
| Product Technology                            | 7 items<br>(.83) |                   |

Four measures of knowledge were included. Respondents were asked to rate the extent of their own knowledge about consumer legal rights and product maintenance requirements. In addition, actual knowledge of these two subjects was measured with an objective true-false test of seven and fourteen questions, respectively.

## Results

### Question One: Personal Efficacy

Of the six measures of personal efficacy, only the one referring specifically to product technology was consistently and strongly related to the dependent measures. People with a relatively strong sense of efficacy in dealing with product technology are:

- (1) less likely to consider product malfunctions as important personal problems, ( $r = .13$ ,  $p = .000$ );
- (2) more likely to try to fix product malfunctions by themselves ( $r = .39$ ,  $p = .000$ , for minor malfunctions;  $r = .35$ ,  $p = .000$ , for major malfunctions);
- (3) more likely to ask their friends and relatives for assistance ( $r = .10$ ,  $p = .005$ , for minor malfunctions;  $r = .11$ ,  $p = .003$ , for major malfunctions);
- (4) less likely to ask their spouse for assistance ( $r = .35$ ,  $p = .000$ , for minor malfunctions;  $r = .26$ ,  $p = .000$ , for major malfunctions); and
- (5) more likely to be satisfied with their most recent experience of dealing with a product malfunction ( $r = .11$ ,  $p = .008$ ).

Perhaps the most interesting of these findings is that a sense of personal efficacy may be a prerequisite for asking assistance from members of one's social network. In other words, those who lack this sense of personal efficacy hesitate to ask their friends for help.

A person's sense of personal efficacy toward technology generally (that is, not just the technology represented in household products) is related to a few of the dependent measures. People with a relatively strong sense of personal efficacy with regard to technology are less likely to view malfunctions as important problems in their lives ( $r = .15$ ,  $p = .000$ ) and are more likely to try to fix minor malfunctions by themselves ( $r = .16$ ,  $p = .000$ ).

The other four measures of personal efficacy are only weakly and inconsistently related to the dependent measures. For example, people who feel efficacious toward the world in general (that is, have an internal focus of control) are less likely to consider product malfunctions important ( $r = .11$ ,  $p = .003$ ). International locus of control is also positively related to asking spouses for

assistance in the case of minor TV and car malfunctions ( $r = .09$  and  $.10$ , respectively) and major washing machine and car malfunctions ( $r = .10$  and  $.11$  respectively). While these associations are statistically at greater than the .01 level, the associations are too weak to be of great importance.

The absence of several relationships may be important. Perceived personal efficacy with regard to government in general and consumer agencies in particular was unrelated to the propensity of use legislators, regulatory agencies, or the courts in solving product problems. Similarly, perceived personal efficacy in dealing with business is not related to the propensity to contact retailers, manufacturers, or repair shops when malfunctions occur.

### Question Two: Institutional Responsiveness

The two measures of perceived responsiveness which referred explicitly to product malfunctions were consistently (although not strongly) related to several of the dependent measures. People who viewed businesses as helpful when something goes wrong with a product were:

- (1) less likely to try to fix products themselves ( $r = .13$ ,  $p = .000$ , for minor malfunctions;  $r = .19$ ,  $p = .000$ , for major malfunctions); and
- (2) more likely to contact retailers, manufacturers, and repair shops ( $r = .16$ ,  $p = .000$ , for minor malfunctions;  $r = .21$ ,  $p = .000$ , for major malfunctions).

Respondents who perceived the legislative, regulatory, and judicial branches of government as responsiveness were:

- (1) more likely to consider malfunctions as important problems in their lives ( $r = .16$ ,  $p = .000$ );
- (2) less likely to try to fix minor product malfunctions by themselves ( $r = .13$ ,  $p = .000$ );
- (3) more likely to seek assistance from spouses ( $r = .15$ ,  $p = .000$ , for minor malfunctions;  $r = .10$  for major malfunctions);
- (4) more likely to contact consumer action groups or the Better Business Bureau ( $r = .15$ ,  $p = .000$ , for minor malfunctions;  $r = .16$ ,  $p = .000$ , for major malfunctions);
- (5) more likely to contact government regulatory agencies ( $r = .11$ ,  $p = .000$ , for minor malfunctions;  $r = .16$ ,  $p = .000$ , for major malfunctions);
- (6) more likely to use the courts for major malfunctions ( $r = .11$ ,  $p = .001$ ); and
- (7) less likely to buy new products when major malfunctions occur ( $r = .15$ ,  $p = .000$ ).

The last finding is perhaps the most surprising and important. The perception that government officials and agencies are helpful when products malfunction apparently restrains consumers from "throwing in the towel" and simply replacing a broken product with a new one.

Other measures of perceived institutional responsiveness bear some relationship to the way people respond to product malfunctions. For instance, people who view consumer agencies as responsive to the needs of consumers are more likely to ask help from their spouses, especially when minor malfunctions occur ( $r = .13$ ,  $p = .001$ ). This latter finding takes on interest if one recalls that people who feel inefficacious with regard to product technology are also more likely to seek assistance from spouses. In other words, here is an instance in which perceptions of personal efficacy have the opposite effect as perceptions of institutional responsiveness.

Perceptions of the responsiveness of technology are positively related to personal attempts to repair the two simpler of the four products, washing machines and vacuum cleaners ( $r = .13$ ,  $p = .001$ , and  $r = .12$ ,  $p = .002$ , respectively). People who view businesses as generally responsive are more likely to consider malfunctions to be important issues in their everyday life. (One might have expected the opposite). Finally, perceptions that the world is largely ruled by luck (that is, external locus of control) are unrelated to all dependent measures.

#### Question Three: Differences Among Institutions

Recall that the measures of perceived personal efficacy and institutional responsiveness varied in their referents. In the case of both types of measures, relationships with the measures of consumer reactions were strongest and most consistent when the measure of efficacy referred to product technology and the measure of responsiveness referred to governmental and business handling of malfunctions. When the measures referred to consumer agencies and technology, relationships to the dependent measures became weaker and less consistent. When the measures referred to business and government in general or to locus of control, there were virtually no relationships with the ways consumers respond to product malfunctions.

#### Question Four: Knowledge

Each of the four measures of knowledge is related to at least one of the dependent measures. Before examining these relationships, however, it is worth noting the associations among the four knowledge measures. Self-assessment and test assessment of knowledge are more closely linked for product maintenance requirements ( $r = .33$ ,  $p = .000$ ) than for consumer rights ( $r = .16$ ,  $p = .000$ ). Also, test-assessed knowledge on the

two subjects is more strongly associated than self-assessed knowledge on the two subjects ( $r = .32$ ,  $p = .000$  and  $r = .21$ ,  $p = .000$ , respectively). Thus self-assessments of knowledge should not be taken as strong measures of actual knowledge, nor should knowledgeability about one of the two topics be taken as an indicator of knowledge on the second.

Of the four knowledge measures, self-rated knowledge of product maintenance requirements was most strongly related to the way consumers respond to product malfunctions. Those who rate their knowledge of this topic high are more likely to try to fix products by themselves ( $r = .35$ ,  $p = .000$  for minor malfunctions;  $r = .33$ ,  $p = .000$ , for major malfunctions) and are less likely to ask their spouse for assistance ( $r = .36$ ,  $p = .000$ , for minor malfunctions;  $r = .31$ ,  $p = .000$ , for major malfunctions). Actual knowledge of product requirements was related to these dependent measures in the same fashion but not as strongly.

Self-rated knowledge of consumer rights, like both measures of product maintenance requirements, was negatively related to the propensity to ask for assistance from a spouse, but test-assessed knowledge of consumer rights was not. However, people who scored higher on the test of consumer rights knowledge were more likely to contact an elected official in the case of product malfunctions ( $r = .11$ ,  $p = .003$ , for minor malfunctions, and  $r = .10$ ,  $p = .01$ , for major malfunctions). The magnitude of these correlation coefficients is quite small, but test-assessed knowledge of consumer rights was the only variable in the entire study that helped predict an individual's willingness to contact legislative officials in the case of product malfunctions. This type of knowledge was also related to another dependent measure--the propensity to use products in their malfunctioning condition or stop using them altogether ( $r = .10$ ,  $p = .005$ , for minor malfunctions only).

In all, perceptions of knowledgeability and actual knowledgeability are just as important as perceptions of personal efficacy and institutional responsiveness in understanding how consumers respond to product malfunctions.

#### Discussion

How important are perceptions of personal efficacy and institutional responsiveness in predicting how consumers respond to product malfunctions? In some respects, these two perceptions have conflicting influences. Looking at the various measures of efficacy, people who perceive themselves as more personally efficacious are less likely to consider malfunctions to be important problems in their everyday life. On the other hand, people who regard institutions as more responsive are more likely to consider mal-



functions important. What makes this striking is that measures of perceived efficacy and responsiveness are highly correlated within given institutional spheres. For example, perceived business responsiveness and personal efficacy in dealing with business have a product-moment correlation coefficient of .47 ( $p = .000$ ), but they have opposite associations with the importance placed on malfunctions.

The apparently opposing influences of perceived personal efficacy and institutional responsiveness also hold with respect to the propensity to ask spouses for assistance. The greater a person's sense of personal efficacy, the less likely he/she was to ask for help from a spouse. When a person viewed institutions as responsiveness, spouses were more likely to be called upon. These opposing influences were much less apparent when it came to fixing products by oneself.

The following appears to be the case. Perceptions of personal efficacy and institutional responsiveness are strongly and positively related within a particular institutional context. Further, perceptions of personal efficacy (or institutional responsiveness) in two different institutional contexts are sometimes highly correlated as well (for example, efficacy in consumer agencies and business --  $r = .40$ ,  $p = .000$ ). Nevertheless, there is a sufficient disjunction between perceptions of efficacy and responsiveness, and there is sufficient variety in the institutional spheres to which these perceptions apply, that the two types of perceptions can have opposite associations with consumer willingness to personally fix products or seek spouse assistance.

In terms of a consumer's willingness to seek the assistance of commercial firms, the most powerful predictor is a consumer's perception that firms are helpful when it comes to product problems. This is hardly surprising. Somewhat less obvious is the tendency of consumers with a sense of efficacy with regard to products to avoid contacting businesses for help.

With only one exception, there were no strong correlates of consumer propensity to contact third parties in the government (legislators, regulatory officials, and judges) or outside it (consumer action groups and the Better Business Bureau). The one exception was that consumers who viewed malfunctions as important personal issues were slightly more likely to contact non-governmental third parties. Overall, though, the propensity to use third parties when malfunctions occur is unrelated to perceptions of personal efficacy or institutional responsiveness. Similarly, these perceptions do not help identify those consumers who react to malfunctions either by trying to use the product as is or by purchasing a replacement.

The measures of consumer knowledge were fairly consistent in their relationship to the dependent measures. All four knowledge measures were related to the propensity to fix malfunctions by oneself, regardless of the magnitude of the malfunction. The greater the knowledge, the greater the propensity. Three of the four knowledge measures were negatively related to the propensity to ask one's spouse for assistance. Actual knowledge of consumer legal rights was the exception. Otherwise, the four knowledge measures were unrelated to consumer use of businesses and third parties when products malfunction. The one exception is that people with greater legal knowledge express a greater inclination to contact elected officials.

### Conclusion

The bottom line of the findings is this. There is little evidence that the way in which consumers respond to product malfunctions is related to broader perceptions about the way in which the social world operates. To the extent that consumer perceptions do influence responses to malfunctions, it is largely in deciding whether or not to try to fix a product by oneself or ask one's spouse to take care of it. These perceptions are largely unrelated to consumer use of business and third-party avenues of problem resolution.

Because this study is cross-sectional, it is impossible to determine whether perceptions of efficacy, perceptions of institutional responsiveness, perceptions of personal knowledgeability, or actual knowledgeability are related to consumer behavior as cause or effect. No doubt, any such relationships are interactive and iterative. For instance, a knowledgeable person attempts to fix a broken product, succeeds, and gains a greater sense of personal efficacy. Regardless, the findings of this study do suggest that an increase in the incidence of product malfunctions, or in unsatisfactory responses by business to these malfunctions, will not have an appreciable effect on the public's perceptions of business, government, or technology. Other studies provide ample evidence to show that consumers are upset when products malfunction, and firms would be well advised to minimize this form of dissatisfaction. But there appears to be little danger that consumers who have to deal with malfunctioning products will convert those products into bombs to be sent to chief executives or government officials. Consumers may not be fully content with the current state of product performance, but they appear to be coping with it.



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CONSUMER ISSUES IN THE  
VIDEO RECORDER/COPYRIGHT ROYALTY ISSUE

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Ladies and gentlemen, my name is Father Robert McEwen. I am a professor at Boston College, and I teach Consumer Economics and I have been President of the American Council on Consumer Interests for two terms and President of the Consumer Federation of America and I'm active in the Association of Massachusetts Consumers at the grass roots level. And on my left is Thomas Collins, who is Division Vice President for Consumer Affairs at RCA Consumer Electronics. Tom is a lawyer and holds a Juris Doctor's degree from Rutgers. He is also an engineer with a Bachelor of Engineering Science Degree from Purdue and in the company he's had multiple responsibilities for government relations consumer affairs, product safety and has had prior responsibility in RCA's Patent and Law Department, and later had responsibility for electron microscopes and educational electronics. So Tom is our legal and scientific expert in this discussion today.

On my right, Sally Browne was appointed in 1973 to be Director of Consumer Affairs for Electronic Industries Association, which is a trade association for the manufacturers of home entertainment products. Prior to joining that group, she was manager of Congressional Services for the Council of Better Business Bureaus. She spent years on Capitol Hill as the Administrative Assistant and Legislative Assistant to different members of the House of Representatives. She is a native of Gary, Indiana and attended Indiana and Northwestern Universities. She will be our expert on the political scene relating to this issue of home recording rights.

The issue before us all is, in a nutshell, the freedom of individual citizens to use recording devices, both audio and video, in their own homes for private, non-commercial use, without copyright law. Why has that suddenly come up to us and why do I think consumer groups and consumer professors and educators must be active in this issue? A California Federal appeals Court has rendered a decision against the private, noncommercial, in-home taping rights of individual citizens and, as a result of that strange court decision, all sorts of clouds of illegality are hanging over the manufacturers, the sellers and the consumers who buy tapes and want to use them in their own homes. Legislative proposals are coming out of the movie people who don't want this done, and those proposals in my judgement involve many damages to consumer rights and to the political system -- in the sense that they are asking the government now to intervene on their side and be a collector of taxes for copyright holders. Many of these issues are fundamental problems for consumers and I want to expose each one of them. To do that, I'm going to ask Tom to begin by telling us what is a video cassette recorder; what are

its multiple uses, and why the development of science and technology has come to this point that the industry is threatened with almost legal extinction as one of the possibilities at this moment.

MR. COLLINS: What I would like to do is first trace a little bit of the history of television tape recording. As you see how the tape recorder evolved and changed over the years, I think it will give you a little bit better feel for the situation that we are dealing with.

Television tape recording as we know it today really started out in 1956. I'm not referring here to the consumer type recorders that we will be discussing today, but the kind of television tape recorder that you would find in broadcast studios. It wasn't until some time later, in the 60's, that technology was brought into play into a less expensive or simplified type of recorder that was used for industrial and educational applications. Then work progressed still further leading toward the consumer-type recorder as we know it today, and that came into being in 1975. Unlike some of the previous recorders which I am sure many of you are familiar with, (audio, reel-to-reel) this recorder in 1975 for video was a cassette-type recorder. Now the original recorders had a very limited number of features and in terms of the blank cassettes were very limited in record and play time. The original cassettes were usually of two types. One perhaps would give you an hour and the second type of recorder that had more tape packed within it would give you a couple of hours of recording time.

There are two basic recording formats and these are called the Beta System which is the one incorporated in the Sony Betamax Recorder, the second is the so-called VHS, Video Home System, which is incorporated in really the balance of the home video recorders. I mentioned the fact that there are two different systems because they are incompatible with each other and if you have a Beta tape recorder why you can't take tapes that are made on a VHS recorder and play them and vice versa. But in any event from the standpoint of compatibility, that's not a serious problem because the two types of systems can, I think, co-exist in the market place.

Now originally, these consumer recorders were all of the table-top type, and the reason for my mentioning that, I think, will be evident in a few minutes. Now back in the period of 1975 and for a couple of years after that, there were very few pre-recorded cassettes and there were relatively few cameras and the ones that were there were mostly black and white. In just about a half a dozen years, the situation has changed very dramatically. There are a wide



variety of models, and these are now table models and portables, they are in each format, we have much longer recording time so that you can get much more programming on a given cassette, there are a wide assortment of color cameras, there are over thirty thousand pre-recorded cassette titles and out of these there are about four thousand that are full-length feature films. In terms of some of the special features that came along with time, these aren't necessarily in the order in which they are developed, but we have electronic programmers which allow you to record up to eight different programs over a twenty-one day period. Now this is really unattended programming, unattended recording while you are perhaps away from home. We can now get up to eight hours of recorded material on a single cassette, but in order to do this you have to use a certain record speed and a newly-introduced cassette which has thinner tape which allows you to record more material. We have picture search which allows you to scan in the forward and reverse directions, and what I mean by picture search is as you push the button on the recorder you keep the picture up on the screen and at about five times normal speed going forward or backward, you can go back and pick up the segment you want to see or go forward and pick up something else because you may have missed a line that you thought was particularly good. We have slow motion and this can go anywhere from one-quarter to one-thirtieth of normal speed because you can watch, say, a hurdler go over it. In things such as horsemanship, you can catch the horse even in stop action going over a jump. There are features like frame advance where you can advance one frame at a time until you get precisely the picture that you were looking for.

We also have the capability of dubbing in a sound track of your own using a separate microphone. There are separate remote control units where you can sit in your armchair and do just about everything that you would if you were up at the recorder itself. More recently, manufacturers have been introducing what I would call cable capability because at present I think that cable penetration in the United States is somewhere around 27 or 28 percent and growing -- so the interest of people having the normal program channels as well as cable is very much a consideration.

When I mentioned the table-top units being the original type of recorder, I mentioned that because portables are particularly growing in popularity for outdoor taping and making home movies. In general, with a portable and a color camera, you can, using a battery, get more than an hour of recorded time so you can tape the kids at a track meet, a baseball game, at a party, what have you. Another growing use, although it's quite small at the present time, is that people are taking their old 8 millimeter home movies, super 8, and they are doing film-to-tape dubs so that they can show them on their television receivers.

Now those are some of the basic uses of the video cassette recorder and the camera but there are other ones as well of a more specialized nature. Where you used to see a photographer taking pictures of a wedding, it's not uncommon to see today that photographer video-taping the ceremony. There are situations where lawyers are using a camera and a recorder to tape depositions because they want to see more than just the words as it comes out in writing. They want to observe the demeanor of the witness. So that gives you a little bit of the flavor of this product that we are talking about and how it grew in just a half a dozen years from something that was very simple into something today which is very diverse.

FATHER MCEWEN: Tom, let me tell a story here that one of my lawyer friends told me with regard to that use of the machine. He taped this lady making out her last will and testament and when she died in time, her nephew contested the will because he wasn't left anything except a penny in the will. So, in the court case, he showed the video cassette recording of the lady dictating her will, and it shows her saying, "... and as for that no-good nephew of mine, he's not getting anything but a penny in my will." So it was impossible for the nephew to say that she wasn't in her right mind and didn't mean to do this.

MR. COLLINS: Well Father, I won't have that problem because that's why I'm writing the classic will: "Being of sound and disposing mind and memory, I've spent it all in my lifetime."

MS. BROWNE: You know, another use of a taping that we're seeing is that people are taping their property, that is, their personal property. It can show that insurance company what the condition of your property was in case of loss. Second of all, it also could be used as evidence to prove to the court and to the police that the product really belongs to you provided you keep all the serial numbers. It's a good way and an easy way to have a visual record of your property.

FATHER MCEWEN: Now Sally, it was striking to me that Tom said about '75 this technology became well adapted to public use. In '76 the Universal Studios, just one year after that, Universal Studios filed a suit against the manufacturers of this equipment.

MS. BROWNE: Wait a minute. And Disney. They were two.

FATHER MCEWEN: Allright. Disney was with it. Universal Studios and Disney filed suit against Sony, the manufacturer of this machine. It didn't take them more than twelve months to get the notion that this dangerous machine was going to do something to the movie industry. Now, they sued them on the grounds that they were knowingly making a machine whose only use was to copy copyrighted material. Therefore, these bad manufacturers should be judged co-conspirators or contributorily liable for the infringement that we consumers might make if we ever used a video cassette recorder. That case everybody thought



was kind of far-fetched and in '79 the District Court in California threw it out and said that Congress intended that the private, non-commercial in-home taping was exempt from copyright violation and we thought that was the end of it. About two years later, in October of '81, the Ninth Circuit Appeals Court in California overturned the whole business and said yes, consumers are liable for infringing the copyright laws because it isn't clear that Congress intended to exempt them and besides that, the manufacturers of this machine have to be held contributorily liable because they knew how the product would be used. Therefore all sorts of appropriate penalties can be assessed against the manufacturer of the machine.

The strange court reasoning was that it's so difficult for copyright holders to prove who is violating the copyright laws and the material extent of the damage to them that we won't ask them to do it, we are just going to assume that there are people violating the law and we are just going to assume that the sellers of the copyright material like movies are damaged by this and we'll only argue about what penalties should be assessed. Is that an accurate summary, Tom?

MR. COLLINS: Yes, I think so. One of the issues, of course, involved in terms of the extent to which the movie industry and authors and composers may have been damaged involves the very predominant use of a video cassette recorder for what we call time-shift viewing. Previously the American consumer has been at the mercy of the networks and the independent stations in terms of watching programs when they choose to put them on the air. Now this situation with the VCR has changed. You now control your own destiny. If you want to go out for dinner you say, "Oh gee, I'm going to miss my favorite show." You have the ability to tape that show and then play it back at a time which is convenient to you.

I have no doubt that there are some people who will build a library. But I think that they are very, very few. Most people time-shift and watch the program of their choice and then later on they'll take the cassette and they'll tape right over that program when they want to time-shift again.

It's difficult to see how the motion picture people are being hurt by that. They are really getting an exposure that they would not ordinarily get.

One of the arguments that they make is that in terms of their compensation, that they aren't being compensated for the fact that this is being taped. On the other hand, the rating services, Neilsen and Arbitron, count video cassette recorders that are within their sample as an additional television set, and when you count the number of viewers in the sample plus the number of VCRs that are being used, this gives you a total count which the motion picture

people use when they enter into their negotiations with the network, when they release something for network airing and which the networks use in charging advertising rates.

MS. BROWNE: You know Tom, one of the things I think that most people don't understand is the fact that motion picture companies do not sell that motion picture to a broadcast station. That station doesn't own that product. What they sell in their negotiated contract is the viewing. It's either one viewing or two viewings.

FATHER MCEWEN: Alright. Let me continue to bring us up to date. At the time that this California decision came down, and I read it, my sense of logic was so offended by that court saying that we are going to assume that everybody's guilty and everybody is taping and we won't require any proof of loss, that I decided that I would intervene if I could and support the Sony and producers' side of this fight. I volunteered to do that to Sony and to the electronic industries and I called many of you in this room and asked you if you would like to join and many of you did at that time. The only reason for not having called all of you was pure time and physical limitations.

So at any rate, we did form a volunteer consumer committee which has solicited consumer support all over the country. I must say, in the whole country, I have not been refused support except by one consumer-affiliated person who happens to be too close to the movie industry. So I feel an almost unanimity among the consumer groups on where the consumer interest lies in this particular fight. On the surface, it looks like a fight between two industry segments. I had the privilege yesterday of sitting, or standing, in the back of a Senate committee room hearing for three hours while the movie industry and the actors and so forth told the committee the reasons why they should pass legislation supporting the movie side of this issue. Now, I'll tell you the arguments of that movie position boggled my mind.

From our point of view, I clearly distinguish the consumer interest in this as confined to the sold question of private citizen, in-home, non-profit, non-commercial use of taping machines, so that we rule out all piracy, all commercial exploitations, anything like that.

That brings us to the legislation. Because of that court decision and the cloud hanging over the industry, the only solution was a Supreme Court appeal, which a whole group of us from the consumer side have joined by filing an amicus curiae brief in the Supreme Court. That's one avenue which may or may not get anywhere, depending on whether the Supreme Court accepts the case for decision. The other is the legislative one. Now Sally, you can bring us up to date on what the legislation avenue developed.

MR. COLLINS: Father, could I just add two points before Sally gets into that? Your points on the

private in-home taping for non-commercial use -- the video cassette recorder industry shares that view exactly. If someone is in to use a recorder for commercial gains, we don't sanction that. We don't support it. We are opposed to it because we think it's wrong.

The second thing is just a little add-on in connection with the litigation and that is that a couple of months ago, a second suit was instituted by Universal and this time it went far beyond Sony. It included other manufacturers and other markets and all their advertising agencies and this second suit now numbers more than forty, perhaps closer to fifty defendants. So they have truly expanded the scope of the litigation now to really embrace the entire industry. That second suit is really in limbo pending developments in the suit which has now been decided by the Ninth Circuit and is under what we call a Petition for a Writ of Certiorari to the Supreme Court -- that's just another name for an appeal, except in this case the appeal is not as a matter of right and they are asking the court to take up the matter. The court probably gets about four thousand such writs a year and takes a very small percentage of the cases, perhaps a hundred fifty, a hundred sixty.

**MS. BROWNE:** I think there was an important point that Tom was making, but even if the Supreme Court should accept the case for review and they should decide whether for the consumer or the movie industry, even at that, I still think, and I think there are certainly members of Congress that believe, it would still require Congressional action in order to amend the current copyright law. There are some members of Congress that feel that, when a case is pending before the Supreme Court, the Congress should do nothing but wait. But in this instance, even if they wait, they still will have to take up the question.

Now to come back to what the Congress has done. The Ninth Circuit Court decision was October the 19th. Congressman Parris, Senator DiConcini from Arizona who is a Democrat and Senator D'Amato who is a Republican from New York evidently had the same idea because they introduced legislation the next day, on the 20th.

It would amend the copyright act to exempt the private, non-commercial taping of copyrighted programs from television from infringement of copyright law. That's all it said. It's not complicated. It's very simple. But the two bills involved are S-1758 in the Senate and HR-4808 in the House. Subsequently, earlier this year, Congressman Tom Foley decided that he would like to introduce a bill that is almost identical to HR-4808 but inserts the two words "in-home". The Parris and DiConcini bills do not say "in-home" because you might want to take your VCR out on the boat or in the backyard or to church and they felt that restricting it to home would narrow that definition for the use of it. So that Tom Foley had introduced his bill which is HR-5250.

**MR. COLLINS:** Later Senator Mathias introduced a bill S-1242 which was called an amendment to the DiConcini bill. It really wasn't. It was really an amendment which was a substitute for it, and what Senator Mathias proposed was that the matter be turned over to an organization or agency called the Copyright Royalty Tribunal for a determination as to the extent of injury to the movie industry and the assessment of a copyright royalty and the devising of a method for the payment of such royalties to authors and composers. The video cassette recorder industry did not like that approach and still doesn't for a couple of reasons, one of which is it presupposes copyright infringement because the matter wouldn't be within their purview were that not the case.

**FATHER MCEWEN:** Tom, let's pause at that moment to emphasize that point. There's a lot of confusion at present because the people who filed and support this Mathias bill say, "We're not going to try to levy and fines on individual consumers because we're going to write that they are not liable." In my judgement, there is a distinction between saying, "You've broken the law but we're not going to put a fine on you" which is what the Mathias bill does.

The Mathias bill says equivalently, "Consumers have violated the law by taping in their home but we won't try to collect. First of all, we won't try to find out which ones are doing it, and second, if we do, we won't put any financial penalty on them." That is not, in my judgement, what the other bill does which clearly says it's an exemption. They are not violators of the copyright law when they use the copying machine in their home. I think that's a crucial distinction. One says, "You are not violating because Congress gives you an exemption from the requirements of that act." The other one says, "Yes, you violated the act but we're not going to try to assess a penalty against you." So I think it's important for us not to be misled into thinking that they both support the same private exemption, which they don't do.

**MR. COLLINS:** The Mathias bill does another very important thing too, and I don't want to get overly legalistic about this point but in the copyright law there is something called The First Sale Doctrine. What this simply means is that when a property such as a pre-recorded cassette is sold, the person who buys it is free to take it, give it to a friend, lend it to someone, destroy it or rent it. Now there has grown up in the industry, and maybe some of you made use of it, the rental of pre-recorded cassettes. Now the Mathias bill would do away with the First Sale Doctrine which means that the movie industry then would be able to tie a string to the cassettes which it puts into the marketplace where perhaps a retailer would not be able to rent them except under terms and conditions established by the copyright holder which I think inevitably would lead to higher rental charges for cassettes.

Just as a matter of interest and to show you the kinds of things that have happened, in 1980, and the data is incomplete so we know it's more than this, for rental programs there was income of about twenty million dollars for the movie industry. In 1981, this jumped to one hundred and sixty million dollars -- so you can see the growth that cassette rental programs are beginning to have. If the Mathias amendment should prevail, I believe the consumers are going to be paying more to rent cassettes. It's the kind of thing where you pay three bucks to rent a cassette for two or three days and you turn it back in and rent another one.

MS. BROWNE: The contention of Mathias and of course, movie people, is that most consumers build a library of films. It costs about fifteen dollars to buy a blank tape. If you tape anything off television, you are going to have commercials in there. We all know what we do during commercials. We do a lot of things, go to the kitchen, eat, all those things. Close our eyes, basically.

FATHER MCEWEN: Sally, let me emphasize that. That Senate hearing the other day astounded me in the tears that were being shed by all these witnesses over the fact that somebody wasn't watching the commercials.

MS. BROWNE: This is very true. In fact, Senator Dole, who has great drive and humor and which was responding to Jack Valenti, who is the President of the Motion Picture Producers Association, who was decrying this terrible thing and was saying that a remote control could fast-forward so quickly that you could skip the whole commercial. Well, I've been trying with the machine we have on exhibit to do that kind of thing on fast-forward and I can tell you that I still miss parts that I don't want to miss. You have to be almost an engineer, I think, to do that kind of thing. But he was holding this remote control up and saying, "This culprit, this terrible thing is going to be the demise of the motion picture industry." Well, that's a lot of nonsense."

FATHER MCEWEN: I felt like asking them were they going to pass a law that's going to compel us to look at the commercials.

MS. BROWNE: Senator Dole said to Valenti: "Well that's fine. I don't like to look at commercials. There's a lot of things I do during commercials." Then, of course, the whole hearing room burst into laughter.

FATHER MCEWEN: Sally, I was so outraged at the movie industry that I thought of threatening a boycott against the movie studio.

MS. BROWNE: I know, you mentioned this. Like the beef boycott.

FATHER MCEWEN: I'd like to threaten a boycott against the movie industry that's trying to put this tax on the consumer.

MS. BROWNE: Let me mention something. You know, Disney was not in the second suit and I think that's an important point to bring up. They were in the first suit in 1975 but in the second suit that was filed, they withdrew from being in that second suit. Their Chairman of the Board, or their President, had made statements that if Disney had known the extent to which this suit was going, he would not have been an original participant in the first suit. Well, I think that right after October 19th the amount of press it was given all around the country and not in just the big papers but in the small weekly papers and in the neighborhood papers and in the small-town newspapers was the greatest that I have ever seen for any, any consumer issue and I think that the efforts on the Consumer Protection Agency did not generate the kind of positive press for the consumer, in the consumer's interest, that I have seen and continue to see in the press and media today. And I would say that the press books that are put together, they come to about six feet high, so that surprisingly, for the first time as far as I'm concerned, the media has banded together and has done some not only ridiculous cartoons but, you know, showing Mickey Mouse coming into your house and you know, picking up and arresting you and picking up and getting our VDR, but even Johnny Carson did the next week a twelve minute spoof on it and it was horrendous to see that kind of thing. Tom Shales did one on ABC Nightline, so I think what they are doing, what happened is that Disney swallowed that and decided that consumers remember the Disney name. When there is a "Disney presents." Now since October I have been checking my newspapers on Friday nights to see where I can see where it says "MCA Universal Presents." It doesn't - it's a very teeny tiny part of a newspaper and, even if it's a one-page and you will see in very small letters, "MCA Universal Pictures." So that the consumer's identification with Disney is far greater, therefore, the economic impact that might arise from say a boycott or a personal boycott by certain consumers is greater for Disney than it certainly would be for MCA Universal because you would have a harder time identifying it.

I told you about the Senate hearings in November. They had another day of hearings yesterday in Washington. Last week, April the 12th, 13th and 14th, during the Congressional recess, a House Judiciary Sub-Committee held hearings in Los Angeles.

UNIDENTIFIED: I know there's a principle involved, but in terms of the practical sense . . .

FATHER MCEWEN: We were just about to get to the royalty tax that's involved in the bill and I think we should explain in detail.

MS. BROWNE: Okay. The bills do not say that Congress will set the amount of the royalty tax. It says that the Copyright Royalty Tribunal shall do a one-year investigation and study of all the various aspects of the copyright issue, the do a one-year investigation and study of all the various aspects of the copyright issue, the copyright infringement issue, with the use of a



video cassette recorder and an audio recorder. (Now the audio is involved in it too.) Then at that time they shall set reasonable royalty fees. They call them fees, but we call them a royalty tax. Now, the movie industry has been suggesting that it may well be \$50.00 to \$100.00 for a VCR. For a blank tape it would run anywhere from \$1.00 to \$4.00. When questioned about the audio recorder, what kind of royalties they would have on that, they did not make a statement for the record, but I was sitting in that room right in front of some recording people and they were talking about 50 cents on an audio cassette which costs about \$2.00, \$2.98 and they did not mention anything about the audio recorder.

**FATHER MCEWEN:** Let's make sure they understand, everyone understands the intricate nature of the mechanism that they are proposing to set up. All the manufacturers and importers like RCA are required to get a compulsory license and they are required to submit each month the number of units they have produced. Copyright holders have to submit claims and proof of injury to themselves. The Tribunal then is supposed to judge and evaluate the evidence and collect and distribute royalty taxes. The sponsors write in their statements that they don't intend this tax to be passed on to the consumers. They made a big point yesterday. They didn't think the tax would be passed on to the consumers. Some retailer or RCA Distributor said, "Hey, let's be aware of the realities of business. If a manufacturer raises my price fifty bucks, the consumer is going to get a raise of at least seventy, and maybe eighty out of this by the percentage markup."

**MR. COLLINS:** I'd like to answer that gentlemen's question in another way. Let's say that nothing happens in Congress, that DiConcini doesn't get passed, that Mathias doesn't get passed. If the Supreme Court reverses the Ninth Circuit, from our perspective, all is sweetness and light. If it doesn't let's say it doesn't take the case, decides not to hear it, then the case goes back to the District Court in Los Angeles for the fashioning of a remedy, because the Ninth Circuit has already decided that there is infringement. What could happen? The court could probably go any number of different directions. One could even by an injunction against further sale or production which would affect manufacturers and marketers who import them, and of course, that would be to our disadvantage, obviously. But it would also be, I think, a disservice to the consumer because the consumer likes this product. So that is one thing that could very definitely happen.

**FATHER MCEWEN:** It's the Prohibition era again, exactly. The whole thing reminds me of prohibition.

**MR. COLLINS:** Well to this point on whether or not the consumer would wind up having to pay, I want to talk about that for a moment. I'm sorry we don't have a couple of more men in the room

because the witness we had you'd probably recognize. I don't think the ladies would. But we have a distributor who handles central and southern Florida within RCA and is called Seacoast Appliance Distributors, and the President and part-owner of Seacoast is a fellow named Dick Adderson. Well Dick is number 40, the strong safety who played ten years for the Miami Dolphins and was all-pro. Well Dick pointed out to them there is not the price elasticity in the market that Mr. Jack Valenti would have them believe. Much has been said about a video cassette recorder which sells at retail for \$1,000.00. They are trying to treat this as a rich man's toy. No way, it is not. One retailer testified that sure, a couple would be sold for around \$1,000.00 but for every one that's sold there, there are perhaps 2,000 that are sold for under \$600.00. He said that seventy to eighty percent of his retail sales were below \$800.00 and of those that were below \$800.00, fifty percent were below \$600.00. He said, "If I as a retailer were called upon to absorb this royalty tax of \$50.00 myself, that is more than my profit on it."

He made the same point with respect to the blank cassettes because Mr. Valenti and company had been speaking about blank cassettes which sell at retail for \$20.00, and the implication being that there is \$4.00 to \$5.00 profit. This particular gentleman said, "I paid \$12.00 for my cassettes, and I sell them for \$12.99. How am I going to absorb \$1.00 out of 99 percent?" The point of the matter is that it is a very competitive business and you are going to find discounters, you are going to find people who are selling it near list, but in the main, that is not the case.

And when they talk about \$50.00 being the fee which is charged for royalty at the manufacturer level, they overlook the fact that these industries operate on mark-ups, and when a manufacturer takes a product at X dollars, or an importer, he applies a mark-up to it and then when he sells it to the distributor, he also applies a mark-up because he has to carry inventory, he has to take care of co-op advertising and all sorts of things like that.

As a technical example, if we assume just the \$50.00, and let's say that a distributor, in the course of a year, would sell 5,000 recorders, that \$50.00 increment that the distributor would be dealing with is a quarter of a million dollar. Now we know what money costs today, sixteen, seventeen percent. He's got to pass it on. The consumer inevitably is going to be affected and it's so much hogwash when they come out with this line that they have been trying to perpetuate that the tax won't be passed on to the consumer.

**FATHER MCEWEN:** And the other aspect of the collection system is that it's public taxpayer money that's financing this Copyright Royalty Tribunal law. What offends me more than anything else is that they have the nerve, when they are



cutting out the Product Safety Commission, and the Federal Trade Commission and cutting food stamps from the poor, they've got the nerve to ask us to spend taxpayer money to have the federal government be a movie industry collection agency, to collect their royalties and distribute them. That really offends me. Stewart had a question.

S. LEE: Just a quick comment. It's not a question. Consumers' Report in its May issue which will be coming out shortly had a rating on video cassette recorders. They also have a discussion on the legalities of it, and if I recall the last paragraph correctly, maybe this was said earlier in the meeting, that as of now, you can do what you want to with the video cassette recorder because it is in limbo.

MR. COLLINS: And you can continue to do so because even the Motion Picture Association has said that anything that it would have the right to do would be prospective only and would not affect the number of recorders which are already in existence.

S. LEE: And then my question would be, has the Reagan administration or the Office of Consumer Affairs indicated a position on this?

MS. BROWNE: No, we have not gone to the White House yet. We want to . . .

MS. LEE: Have they come to you?

MS. BROWNE: Has the White House come to us?  
No.

CONSUMER ATTITUDES OF THE ELDERLY:  
IMPLICATIONS FOR CONSUMER EDUCATION

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Abstract

In order for consumer educators to develop effective consumer education programs for older Americans it is necessary to identify both the consumer behavior and attitudes of this population. The research reported in this paper examines the attitudes of the elderly toward selected consumer concepts through responses to these concepts on a set of semantic differential scales.

During the past decade there has been an increase in consumer education programs developed for various age groups of the American population. One of the targeted groups has been older Americans. Although a start has been made to identify the consumer behavior and problems of this age group, little has been done to specifically identify their attitudes and how these attitudes affect their consumer behavior.

It has come to be recognized that many factors affect a person's consumer behavior. Strumpel (16) explored empirical approaches to economic life-styles and emphasized that "there are good reasons to pay attention to subjective measures of affect, adaptation, and satisfaction" (p. 72). Tastes and preferences, which reflect attitudes, are not necessarily stable and have not been used to empirically explain differences or choices in consumer behavior. In addition numerous unanticipated situational factors may intervene between a person's predisposition toward an object and his overt behavior toward it. There is also an interdependence between beliefs (and therefore affect and intention) and behavior. This interdependent relationship also causes problems in determining a one-way causality between attitude and behavior (14).

Thus, this lack of knowledge of the consumer attitudes which affect the consumer behavior of the elderly have an impact on the effectiveness of the consumer education programs.

The research discussed in this article was one part of a larger study. The objective of the portion discussed herein was to determine the present attitudes of the elderly toward selected consumer concepts through responses to those concepts on a set of semantic differential scales. Based on these findings, implications are drawn for consumer education programs.

Related Research

In response to the awareness of the consumer problems of elderly that was generated by the popular press articles and activities such as the 1971 White House Conference on Aging, early attempts to identify consumer problems of older Americans tended to treat the elderly as a homogeneous group and did not explore mediating factors such as attitudes which affect behavior. For example, a New York State Legislative (10) study used written questionnaires distributed at senior citizen centers while the NRTA/AARP (21) survey was distributed at senior citizen conferences. Findings in both surveys were similar with food and housing being identified as serious problems. Other early studies related to factors which affected specific product choice, effects of advertising on product selection, and expected product benefit. These studies (2, 8, 9, 10) have been very limiting in generalizations that could be drawn due to specificity of product, behavior or attitude considered. In addition, the subject population was usually residents in one building or members of one senior citizen center.

Several recent studies have focused on the consumer problems and behavior of the elderly. Burton and Hennon (3) did a comprehensive assessment of consumer problems of older Americans who were members of senior citizen centers. Respondents were asked to rate the strength of their concerns from a list of 32 consumer areas. Schutz, Baird and Hawkes (13) explored areas of need that are considered crucial to the well being of the older consumer. Although they included attitudes toward store choice in their study they did not assess consumer attitudes as a separate factor in the study.

While each of these studies have contributed to the defining of the consumer behavior of the elderly and have provided basis for development of consumer education programs designed to fit the needs of the elderly, none of them considered consumer attitudes in general. Additionally only the latter two studies systemically studied differences in the elderly by age and place of residence.

Methods

Sample Selection

The sample was drawn from rural, suburban, and urban communities in Wisconsin in an effort to take into account the sampling problems of other studies, particularly homogeneity of the sample

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and to recognize that the geographic location may be an influencing factor on consumer attitudes.

One hundred fifty adults age 62 and over who resided in 15 Wisconsin communities comprised the sample. The communities were within a 100 mile radius of and included Madison and were stratified using U.S. Bureau of Census criteria as rural, suburban or urban. The age 62 was selected as that is the age at which a person may start receiving early retirement benefits through Social Security.

Since no adequate list of elderly individuals existed for such a wide geographic area selection of the communities was by cluster sampling which is a method of selection in which the sampling unit contains more than one population element. Therefore, "the sampling unit is a cluster of elements. Each element must be uniquely identified with one, and only one, sampling unit" (7, p. 143). The sampling units in the study were Wisconsin communities while the elements were elderly individuals.

After selection of the communities, as the initial step in identifying subjects, a letter explaining the study and requesting aid in identifying individuals or contact persons from senior citizen organizations or programs in the sampled communities was sent to Extension Home Economists in counties in which the selected communities were located. Upon receipt of individual names, a letter was sent explaining the study and asking if the individual would be willing to participate. A postcard was enclosed for the individual to return if they were willing to participate. Arrangements for a visit by the researcher were made by telephone.

A letter similar to that sent to Extension Home Economists was sent to Directors of Senior Citizen Organizations and Title VII noon meal projects requesting permission to visit the group to contact interested individuals. Data were collected either at the site or arrangements were made for a home visit. All data were collected by the researcher on a one to one basis between January and May 1978.

Demographic data of age, sex, place of residence, marital status, education, type of residence, with whom subject lived, paying job, and change in dollar income were collected as independent variables.

#### Subjects

One hundred ten women and 40 men comprised the sample. In both the suburban and urban cluster 38 women and 12 men responded while in the rural cluster there were 34 women and 16 men who responded to the Consumer Attitude Semantic

Differential. The sample appeared to be fairly representative of the national elderly population at the time of data collection. Current Population Reports (5) indicated that the national median age of the elderly was 73 years and educational level ranged from 8.7 to 12 years for people 75 years and older and 62 years respectively. The median age of the respondents fell within the 71-75 age group while the median educational level was completion of high school. At the time of data collection, 74 (49%) were married while 62 people (41%) were widowed. The remaining 10 percent of the sample had either never married (8) or had been divorced (6).

#### Data Collection

The semantic differential technique was used for data collection. The semantic differential is a method by which attitudes may be studied by focusing on the "meaning" that people attach to various concepts.

The semantic differential instrument used in the research was developed according to the methods of Osgood et al. (11) by Petrich, Byrne, and Miller (12) at the University of Wisconsin-Madison. This Consumer Attitude Semantic Differential (CASD) was designed to produce a measure of the direction and strength of meaning respondents attach to selected consumer concepts. It is composed of twenty-three consumer concepts which have been clustered into three factors using factor analysis. The factors have been given titles descriptive of the concepts in each: (1) Social Orientation, (2) Consumerism, and (3) Individual and Family Values. The Social Orientation Factor consists of six concepts: Money's Worth, Economy, Inflation, Cost of Recreation, Pollution, and Unemployment. It was so titled as there is a semantic commonality among the concepts in that they are broad abstract concepts over which society has more control than does the individual. The second factor, Consumerism, contains eight concepts: Better Business Bureau, Consumer Responsibility, Consumer Rights, Consumer Services, Durability, Government Protection, Guarantees, and Quality Standards. These concepts describe activities of government, business, independent organizations and concerned consumers to guarantee consumer rights to safety, information, and choice. The third factor, Individual and Family Values, contains nine concepts which have a strong affective orientation and are more or less controlled by decisions based on individual and family value structures. The nine concepts are: Budget, Credit, Decision Making, Human Needs, Income Tax, Insurance, Recycling, Savings, and Value of Education. These concepts all appear to have individual emotional dimensions interacting with societal dimensions.

Responses to the individual concepts were made on six bi-polar adjectival word pairs, each word

pair being separated by a seven-step continuum. Mean scale scores for each concept and mean factor scores were calculated for each subject and for the total group. The mean scores had a possible range of one to seven with scores of 1, 2, or 3 being related to the negative side of the scales. A score of 4 indicated that a person rated the concept as "equally associated", "irrelevant", or "unrelated", while a score of 5, 6, or 7 indicated a relationship to the positive side of the adjectival scale. Therefore, mean scale scores for the concepts and factors had a possible range of 1.00 to 7.00. The higher the mean score, the more optimistic was the attitude toward the concept or factor.

Mean response scores from the Consumer Attitude Semantic Differential factors Social Orientation, Consumerism, and Individual and Family Values and the individual concepts were used in one way analysis of variance and two way unweighted means analysis of variance to test the hypotheses. The least significant difference test (15, p. 106), lsd test, was used to examine the difference of means between individual subgroups for demographic variables which were statistically significant.

#### Findings and Discussion

The primary purpose of this study was to assess the attitudes of elderly toward selected consumer concepts. To accomplish this, respondents were asked to indicate their attitudes using the Consumer Attitude Semantic Differential. The twenty-three concepts presented included at least one concept from each conceptual category of consumer education as delineated by the Purdue Consumer Education Study (20). Mean attitude scores by demographic variables for each concept and the three factors identified in the Consumer Attitude Semantic Differential are shown in Appendix 1.

#### Social Orientation

The mean attitude scores for the Social Orientation Factor and concepts occurred around the neutral point or were related to the negative side of the continuum. Generally society has more control over these concepts than does the individual. One way analysis of variance produced evidence of significant differences among mean attitude scores (Table 1) for four concepts--Money's Worth, Cost of Recreation, Pollution and Unemployment--within the Social Orientation Factor. Two way unweighted means analysis of variance (15, p. 222) indicated significant interaction of attitudes toward the concepts, Inflation and Unemployment.

TABLE 1. Factor I, Social Orientation: Positive and Negative Mean Response Scores.

|                    | Positive<br>Mean Score |                           | Negative<br>Mean Score |
|--------------------|------------------------|---------------------------|------------------------|
| Money's Worth      | 4.68*                  | <u>Social Orientation</u> | 3.81                   |
| Cost of Recreation | 4.51*                  | Economy                   | 3.72                   |
|                    |                        | Inflation                 | 2.77*                  |
|                    |                        | Pollution                 | 3.76*                  |
|                    |                        | Unemployment              | 3.45*                  |

\*Significant differences occurred for certain demographics.

It was anticipated in the study that both older respondents and those with less education would have less positive attitudes toward the Social Orientation concepts. This was postulated to occur based on several characteristics of the elderly discussed by both Brotman (1) and Field (6). They have pointed out that lower educational levels are apt to be indicative of lower earning power during working lifetime and less proficiency in the marketplace due to lower reading levels and mathematical skills. The findings of this study indicated that this assumption was accurate as there was a more positive attitude toward the consumer concept Money's Worth as education level increased.

The attitudes of both college graduates and those who had done graduate work were significantly more positive ( $p < .05$ ) than the attitudes of respondents with an 8th grade education and those with 1-3 years of college for the concept, Money's Worth. The less positive attitudes of the subgroup with 1-3 years of college may have been due to several factors related to age and income. The first is that 47 percent of this subgroup was 71 years and older indicating they may have lower overall incomes than the other subgroups, and second that 22 percent of the respondents in the subgroup indicated that their income had decreased in the past two years. Lower income and/or decreased incomes may create a feeling of need to obtain one's money's worth in purchasing which is apparently not happening.

Comparison of subgroup mean scores for the concept Unemployment by change in dollar income during the past two years indicated that respondents whose income had decreased were highly significant ( $p < .01$ ) in being less positive in attitude toward Unemployment than those whose income had remained the same or increased. It is not unexpected that if one's income had decreased a person would feel less good about unemployment whether or not that had been the cause of the decrease. Unemployment has many emotional aspects affecting attitudes toward it. For some elderly the loss of status and associated feelings of diminished worth associated with retirement and thus unemployment are important psycho-social by-products affecting attitudes (6). Additionally, when the elderly are no longer able to live in a manner to which they have been accustomed or



would like to live due to decreased income resulting from retirement, negative attitudes toward unemployment are to be expected.

The finding that respondents who owned their homes were significantly ( $p < .05$ ) more positive in attitude toward Pollution than respondents who lived in apartments may be related to the density of people associated with living in an apartment versus living in one's own home. The mean attitude scores for these two subgroups of respondents were own house 3.980 and apartment 3.172. The difference in attitude could not be attributed to rural versus suburban or urban residence as the percentage of respondents who lived in apartments at each of the three places of residence was similar and there was not a significant difference in mean attitude scores toward Pollution by place of residence.

Urban respondents were less positive (highly significant,  $p < .01$ ) toward the concept Cost of Recreation than were suburban or rural respondents. This may have been due to the higher cost of recreation in urban areas. All respondents indicated in comments to the researcher that they participated in very few recreational activities which had an actual dollar cost; therefore, another factor not apparent may be influencing attitudes of urban respondents toward Cost of Recreation.

The evidence indicating that mean attitude scores by marital status and place of residence were not independent for the concepts Inflation and Unemployment suggested that the consumer attitudes of married and widowed respondents regardless of place of residence were more similar to each other than they were to the consumer attitudes of divorced or never married respondents for the two concepts. The F ratio for the interaction, place of residence and marital status in the two way unweighted means analysis of variance for both concepts, Inflation and Unemployment was highly significant ( $p < .01$ ). The mean attitude scores of the married ( $\bar{x} = 2.61$ ) and widowed ( $\bar{x} = 2.75$ ) respondents were all closely related to the "bad" side of the semantic scales for the concept Inflation while the mean scores of the two groups ( $\bar{x} = 3.48$ ,  $\bar{x} = 3.35$ ) were only slightly related to the bad side of the semantic scales for Unemployment. Mean scores of the divorced and never married respondents varied widely on both sides of the semantic scales for the two concepts (Appendix 1). Negative attitudes toward Inflation and Unemployment were to be expected as both affect the income and economic security of respondents. Studies by both Chatfield (4) and Thompson (17) indicated that income and economic security are closely related to life satisfaction. The erosion effect of inflation on a fixed income may create relative poverty (19) among elderly individuals who have never before experienced poverty.

In summary, one way analysis of variance revealed significant differences in the responses of the elderly for four concepts in Factor I, Social Orientation: Money's Worth, Cost of Recreation, Pollution, and Unemployment. Significant interaction of mean attitude scores occurred for the concepts Inflation and Unemployment. Overall mean attitude scores for the factor and concepts ranged from 2.77 to 4.68.

#### Consumerism

Eight concepts--Better Business Bureau, Consumer Responsibility, Consumer Rights, Consumer Services, Durability, Government Protection, Guarantees, and Quality Standards--comprised Factor II, Consumerism (Table 2). The demographic variable, place of residence, caused significant differ-

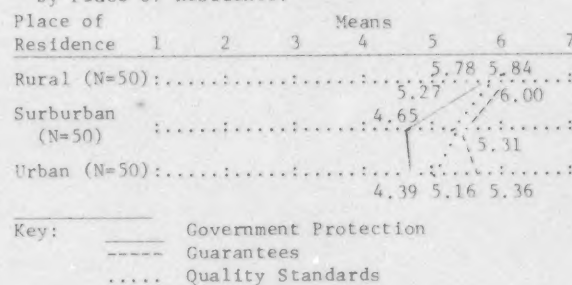
TABLE 2. Factor II, Consumerism: Positive and Negative Mean Response Scores.

|                         | Positive<br>Mean Score | Negative<br>Mean Score |
|-------------------------|------------------------|------------------------|
| Consumerism             | 5.42*                  |                        |
| Better Business Bureau  | 4.80                   |                        |
| Consumer Responsibility | 5.60*                  |                        |
| Consumer Rights         | 5.63*                  |                        |
| Consumer Services       | 5.16                   |                        |
| Durability              | 5.08                   |                        |
| Government Protection   | 5.11*                  |                        |
| Guarantees              | 5.56*                  |                        |
| Quality Standards       | 5.42*                  |                        |

\*Significant differences occurred for certain demographics.

ences in mean attitude scores for the Factor Consumerism and the individual concepts: Government Protection, Guarantees and Quality Standards. Comparison of subgroup means revealed that rural respondents ( $\bar{x} = 5.701$ ) were significantly more positive ( $p < .05$ ) toward the Factor than were suburban residents ( $\bar{x} = 5.196$ ). The mean attitude score for urban respondents was 5.364. For the three concepts rural respondents had more positive attitudes (highly significant  $p < .01$ ) than did the suburban and urban respondents. The structure of the mean attitude scores for the concepts is shown in Figure 1.

FIGURE 1. Mean Attitude Scores: Government Protection, Guarantees, and Quality Standards by Place of Residence.



After analyzing the mean scores of subgroups in significant analyses in this Factor, Consumerism, and the other two Factors--Social Orientation and Individual and Family Values--it may be asserted that, in general, rural respondents had more positive attitudes toward the consumer concepts presented in the CASD than did suburban or urban respondents. The author postulated that in rural communities consumer experiences were more positive than in suburban or urban communities. This finding was similar to the findings of a previous study (12) using the CASD with Wisconsin adolescents in which those from rural areas had more positive attitudes toward the CASD consumer concepts. In both studies there was a consistent pattern for the most positive mean attitude scores to occur in the Consumerism Factor for Guarantees and the least positive scores to be for Government Protection.

Decreased income during the past two years generated a significantly ( $p < .05$ ) more positive attitude toward the concept Consumer Responsibility than did income remaining the same or having increased for the respondents. The finding that respondents whose income had decreased during the past two years had more positive attitudes toward Consumer Responsibility than those elderly whose income had remained the same or increased might be attributed to a greater need for more careful purchasing. Dollar income was also one of the variables in three significant interactions ( $p < .05$ ) mean attitude scores for concepts associated with Factor II, Consumerism. With the variable sex for the concept Consumer Rights, a consistent pattern in the mean attitude scores for each sex although changing in direction across the levels of income occurred. Change in dollar income interacted significantly ( $p < .05$ ) with place of residence for the concepts Consumer Responsibility and Consumer Rights. In the change in dollar income and place of residence interactions the most positive attitudes toward the concepts occurred for urban respondents whose income had decreased. For the interaction of sex and dollar income it was the male subjects whose income had decreased who were most positive.

The least positive attitudes toward Consumer Rights for the sex-dollar income interaction were held by females who had decreased incomes. Mean attitude scores for the place of residence and dollar income interactions indicated that the urban subjects with increased incomes had the least positive mean score for the concept Consumer Responsibility, while the suburban subjects whose income had decreased had the least positive mean for the concept Consumer Rights. However, the mean attitude scores of all subgroups in the analyses of the two concepts were 4.00 and above, thus indicating optimism toward the concepts.

It is postulated from these findings related to Consumer Responsibility and Consumer Rights that, although there is no consistent pattern among the subgroup means, the elderly subjects of this study view these concepts as means to achieving maximum use of their dollar income. Thus, the concepts are related to the desire to continue living in the manner accustomed to and to the achievement of life satisfaction. It is apparent from these findings and the findings for Factor I, Social Orientation, that change in dollar income is an important demographic variable affecting the consumer attitudes of the elderly in this study. The importance of dollar income is supported by studies by Chatfield (4) and Thompson (17) and by Tussing's (19) theory of The Dual Economy.

Postulated in the discussion of Factor I, Social Orientation, was that older respondents would be less positive in their attitudes toward the consumer concepts. The findings indicated that older respondents felt significantly ( $p < .05$ ) less good about the concept Consumer Rights than did the study's younger respondents. This may be due to decreased income occurring with retirement as subjects 66 years of age and older were less positive toward Consumer Rights. It may also be that the attitudes which were expressed by the elderly respondents were a result of their actual experience in achieving their consumer rights rather than their attitudes toward an individual's consumer rights per se.

To summarize, significant differences in attitudes occurred toward Factor II, Consumerism, and the concepts Consumer Responsibility, Consumer Rights, Government Protection, Guarantees and Quality Standards. Significant interactions of mean attitude scores were produced for three concepts: Consumer Responsibility, Consumer Rights and Quality Standards. Overall mean scores for the factor and concepts ranged from 5.08 to 5.80.

#### Individual and Family Values

In the third Factor, Individual and Family Values, significant differences in mean attitude scores only appeared for two concepts: Budgeting and Value of Education. No significant differences occurred for the Factor or for the concepts --Credit, Decision Making, Human Needs, Income Tax, Insurance, Recycling, and Savings (Table 3).

TABLE 3. Factor III, Individual and Family Values: Positive and Negative Mean Response Scores.

|                                 | Positive<br>Mean Score | Negative<br>Mean Score |
|---------------------------------|------------------------|------------------------|
| Individual and<br>Family Values | 6.01                   |                        |
| Budget                          | 6.07*                  |                        |
| Credit                          | 5.34                   |                        |
| Decision Making                 | 6.04                   |                        |
| Human Needs                     | 5.98                   |                        |
| Income Tax                      | 4.78                   |                        |
| Insurance                       | 6.14                   |                        |
| Recycling                       | 6.49                   |                        |
| Savings                         | 6.58                   |                        |
| Value of Education              | 6.67*                  |                        |

\*Significant differences occurred for certain demographics.

The concepts in this Factor have a strong affective orientation and are more or less controlled by decisions based on individual or family value structure. The finding that males ( $\bar{x} = 5.737$ ) were significantly ( $p < .05$ ) less positive toward the concept Budget than were female respondents ( $\bar{x} = 6.195$ ) in the study is the same as that found in an earlier study using the CASD with Wisconsin adolescents (12). Although a significant ( $p < .05$ ) interaction occurred between attitude scores for place of residence and marital status for the concept Budget there was no consistent pattern among the three marital status categories--widowed, divorced, and never married--which were predominantly women have higher mean attitude scores (Appendix 1) than did the married category. This was to be expected since females felt more positive toward the concept Budget.

One way analysis of variance produced significant differences in mean attitude scores by age ( $p < .01$ ) for the concept Value of Education. Although the 71-75 age group felt significantly less positive toward Value of Education than respondents 61-65 ( $\bar{x} = 6.896$ ) and 66-70 ( $\bar{x} = 6.833$ ) of age, the mean score for the 71-75 subgroup was still very positive (6.384 out of a possible 7.00) for the concept. As in other analyses in which mean attitude scores were significantly different by place of residence, rural respondents felt most optimistic about the Value of Education.

Significant differences in mean attitude responses were produced for two concepts, Budget and Value of Education, in the Factor Individual and Family Values. Attitudes of the subjects in the study became more positive toward the factors and concepts as respondents became more able to control their resources in relation to the factor or concept. Thus, overall mean factor and concept scores moved progressively toward the "positive," "good," "optimistic" end of the semantic scale with Factor I, Social Orientation, having the lowest mean scores, Factor II, Consumerism scores

falling between Factor I and Factor III, Individual and Family Values, which had the most positive mean scores.

#### Implications

The Consumer Attitude Semantic Differential factors and concepts may be used to provide a conceptual structure around which consumer education programs for older Americans can be organized. Based on mean attitude scores, emphasis in consumer education programs should be given to the Social Orientation Factor and the concepts within the Factor as Wisconsin elderly were more pessimistic toward this Factor and concepts than toward the Consumerism and Individual and Family Values Factors and the concepts within these Factors. Although attitudes toward the concepts within the Consumerism and Individual and Family Values Factors were positive, the significant differences in mean attitude scores by demographic variables do have implications for program planning and should also be considered in teaching strategies and instructional decisions.

As attitudes affect behavior and both are important to consider in making educational programming decisions, significant attitudinal differences among subgroups of elderly will impact on the effectiveness of any consumer education program. Examples of attitudinal differences toward the consumer concepts presented in the Consumer Attitude Semantic Differential should consider that:

- The mean attitude scores of rural elderly were more positive toward the CASD consumer concepts than were the mean scores of suburban and urban elderly.
- Divorced and never married elderly had the most divergent mean attitude scores toward the CASD consumer concepts.
- Individuals 61-65 years old were most positive toward Consumer Rights.

The positive attitude toward education shown by all age groups provides a basis for the assumption that there is an interest in education which should be built upon in developing consumer education programs.



## Appendix 1

CONSUMER ATTITUDE SEMANTIC DIFFERENTIAL MEAN SCORES BY DEMOGRAPHIC VARIABLES

| CASD Factors and Concepts             | Sex            |      | Place of Residence |      |           | Age(s) |        |       |       |        |        |      |
|---------------------------------------|----------------|------|--------------------|------|-----------|--------|--------|-------|-------|--------|--------|------|
|                                       | F              | M    | R                  | S    | U         | <56    | 56-60  | 61-65 | 66-70 | 71-75  | 76+    |      |
| <u>Social Orientation</u>             | 3.83           | 3.78 | 4.08               | 3.72 | 3.64      | 5.42   | 3.22   | 3.99  | 3.82  | 3.76   | 3.77   |      |
| Money's Worth                         | 4.71           | 4.59 | 4.71               | 4.80 | 4.53      | 7.00   | 4.00   | 5.01  | 4.54  | 4.85   | 4.50   |      |
| Economy                               | 3.72           | 3.73 | 3.98               | 3.71 | 3.48      | 5.00   | 2.39   | 3.69  | 3.82  | 3.69   | 3.74   |      |
| Inflation                             | 2.83           | 2.61 | 3.11               | 2.43 | 2.78      | 5.00   | 1.28   | 3.08  | 2.66  | 2.49   | 2.96   |      |
| Cost of Recreation                    | 4.56           | 4.38 | 5.16               | 4.42 | 3.95      | 4.00   | 5.11   | 4.81  | 4.38  | 4.46   | 4.48   |      |
| Pollution                             | 3.75           | 3.78 | 3.79               | 3.64 | 3.83      | 7.00   | 3.83   | 3.96  | 3.86  | 3.60   | 3.62   |      |
| Unemployment                          | 3.39           | 3.61 | 3.76               | 3.29 | 3.30      | 4.50   | 2.72   | 3.42  | 3.66  | 3.46   | 3.31   |      |
| <u>Consumerism</u>                    | 5.41           | 5.44 | 5.70               | 5.20 | 5.36      | 6.25   | 5.04   | 5.75  | 5.30  | 5.42   | 5.35   |      |
| Better Business Bureau                | 5.78           | 5.85 | 5.80               | 5.61 | 5.98      | 1.00   | 5.33   | 6.09  | 5.84  | 5.73   | 5.80   |      |
| Consumer Responsibility               | 5.60           | 5.60 | 5.86               | 5.38 | 5.56      | 7.00   | 5.44   | 5.77  | 5.71  | 5.61   | 5.40   |      |
| Consumer Rights                       | 5.61           | 5.69 | 5.73               | 5.47 | 5.68      | 7.00   | 5.22   | 6.40  | 5.52  | 5.67   | 5.30   |      |
| Consumer Services                     | 5.23           | 4.98 | 5.43               | 4.95 | 5.11      | 7.00   | 5.28   | 5.40  | 5.23  | 4.89   | 5.16   |      |
| Durability                            | 5.01           | 5.30 | 5.16               | 4.93 | 5.16      | 7.00   | 3.89   | 5.09  | 5.00  | 5.15   | 5.13   |      |
| Government Protection                 | 5.08           | 5.20 | 5.78               | 4.65 | 4.91      | 7.00   | 5.00   | 5.41  | 5.03  | 5.02   | 5.06   |      |
| Guarantees                            | 5.61           | 5.40 | 6.00               | 5.31 | 5.36      | 7.00   | 5.11   | 6.00  | 5.14  | 5.76   | 5.51   |      |
| Quality Standards                     | 5.39           | 5.50 | 5.84               | 5.27 | 5.16      | 7.00   | 5.06   | 5.88  | 4.97  | 5.55   | 5.44   |      |
| <u>Individual &amp; Family Values</u> | 6.04           | 5.93 | 6.13               | 5.86 | 6.04      | 6.67   | 5.53   | 6.40  | 6.01  | 5.88   | 5.93   |      |
| Budget                                | 6.20           | 5.74 | 6.25               | 5.92 | 6.05      | 7.00   | 6.11   | 6.60  | 5.85  | 5.97   | 6.04   |      |
| Credit                                | 5.37           | 5.26 | 5.39               | 5.27 | 5.35      | 7.00   | 4.17   | 6.01  | 5.39  | 4.98   | 5.27   |      |
| Decision Making                       | 6.10           | 5.88 | 6.25               | 5.78 | 6.09      | 7.00   | 5.83   | 6.54  | 6.08  | 5.93   | 5.84   |      |
| Human Needs                           | 5.99           | 5.96 | 5.99               | 5.89 | 6.07      | 7.00   | 5.72   | 6.23  | 5.91  | 5.97   | 5.92   |      |
| Income Tax                            | 4.71           | 4.99 | 4.91               | 4.52 | 4.92      | 7.00   | 3.06   | 5.31  | 4.57  | 4.82   | 4.72   |      |
| Insurance                             | 6.19           | 6.00 | 6.33               | 6.07 | 6.02      | 4.00   | 5.72   | 6.33  | 6.19  | 6.03   | 6.15   |      |
| Recycling                             | 6.48           | 6.49 | 6.60               | 6.31 | 6.54      | 7.00   | 6.11   | 6.83  | 6.56  | 6.43   | 6.31   |      |
| Savings                               | 6.63           | 6.44 | 6.52               | 6.49 | 6.63      | 7.00   | 6.39   | 6.84  | 6.67  | 6.42   | 6.50   |      |
| Value of Education                    | 6.69           | 6.60 | 6.85               | 6.45 | 6.70      | 7.00   | 6.67   | 6.90  | 6.83  | 6.38   | 6.63   |      |
|                                       | Marital Status |      |                    |      | Education |        |        |       |       |        | Total  |      |
|                                       | M              | W    | D                  | NM   | 8th G     | 9-11   | 12th G | Voc.  | 1-3 C | C Grad | Gr.Wk. | Mean |
| <u>Social Orientation</u>             | 3.73           | 3.81 | 4.07               | 4.49 | 3.85      | 4.20   | 3.71   | 4.06  | 3.70  | 3.77   | 4.00   | 3.81 |
| Money's Worth                         | 4.51           | 4.73 | 4.25               | 5.44 | 3.96      | 4.53   | 4.62   | 4.85  | 4.46  | 5.38   | 5.72   | 4.68 |
| Economy                               | 3.54           | 3.85 | 3.69               | 4.46 | 3.51      | 4.73   | 3.73   | 3.59  | 3.40  | 3.88   | 3.85   | 3.72 |
| Inflation                             | 2.62           | 2.75 | 3.64               | 3.71 | 3.34      | 3.41   | 2.60   | 2.89  | 2.69  | 2.31   | 2.67   | 2.77 |
| Cost of Recreation                    | 4.63           | 4.54 | 5.33               | 5.04 | 4.51      | 4.55   | 4.20   | 5.04  | 4.61  | 4.75   | 4.50   | 4.51 |
| Pollution                             | 3.88           | 3.62 | 3.06               | 4.19 | 4.10      | 3.97   | 3.65   | 4.33  | 3.82  | 3.14   | 3.87   | 3.76 |
| Unemployment                          | 3.48           | 3.35 | 3.17               | 4.10 | 3.67      | 4.00   | 3.47   | 3.67  | 3.22  | 3.16   | 3.39   | 3.45 |
| <u>Consumerism</u>                    | 5.52           | 5.32 | 5.26               | 5.39 | 5.31      | 5.67   | 5.48   | 5.76  | 5.23  | 5.47   | 5.31   | 5.42 |
| Better Business Bureau                | 5.87           | 5.77 | 4.86               | 6.08 | 5.68      | 6.03   | 5.83   | 5.33  | 5.73  | 6.15   | 5.43   | 5.80 |
| Consumer Responsibility               | 5.84           | 5.37 | 5.64               | 5.13 | 5.46      | 5.42   | 5.58   | 5.82  | 5.67  | 5.77   | 5.37   | 5.60 |
| Consumer Rights                       | 5.72           | 5.48 | 5.89               | 5.69 | 5.28      | 5.96   | 5.85   | 5.65  | 5.37  | 5.65   | 5.94   | 5.63 |
| Consumer Services                     | 5.17           | 5.16 | 4.86               | 5.38 | 4.77      | 5.30   | 5.19   | 6.02  | 5.21  | 5.12   | 4.98   | 5.16 |
| Durability                            | 5.06           | 5.06 | 5.17               | 5.35 | 5.23      | 5.62   | 5.15   | 5.35  | 4.68  | 4.80   | 5.59   | 5.08 |
| Government Protection                 | 5.31           | 4.92 | 4.83               | 5.00 | 5.15      | 5.32   | 5.31   | 5.46  | 4.80  | 5.20   | 4.33   | 5.11 |
| Guarantees                            | 5.68           | 5.45 | 6.03               | 4.83 | 5.71      | 5.73   | 5.54   | 6.17  | 5.22  | 5.69   | 5.28   | 5.56 |
| Quality Standards                     | 5.49           | 5.38 | 4.78               | 5.63 | 5.24      | 5.94   | 5.42   | 6.26  | 5.13  | 5.39   | 5.57   | 5.42 |
| <u>Individual &amp; Family Values</u> | 6.04           | 5.93 | 6.12               | 6.25 | 6.04      | 5.96   | 6.09   | 6.24  | 5.89  | 6.01   | 5.82   | 6.01 |
| Budget                                | 5.94           | 6.16 | 6.03               | 6.67 | 6.04      | 6.00   | 6.02   | 6.48  | 5.87  | 6.25   | 6.39   | 6.07 |
| Credit                                | 5.43           | 5.27 | 5.39               | 4.96 | 5.47      | 4.89   | 5.53   | 5.46  | 5.29  | 5.04   | 5.41   | 5.34 |
| Decision Making                       | 6.12           | 5.86 | 6.50               | 6.38 | 6.03      | 6.18   | 6.08   | 6.50  | 6.09  | 5.75   | 5.82   | 6.04 |
| Human Needs                           | 6.01           | 5.87 | 6.83               | 5.92 | 6.33      | 5.77   | 6.10   | 5.93  | 5.70  | 6.07   | 5.63   | 5.98 |
| Income Tax                            | 4.78           | 4.90 | 3.33               | 5.04 | 4.65      | 5.46   | 4.91   | 4.94  | 4.59  | 4.88   | 3.96   | 4.78 |
| Insurance                             | 6.16           | 6.01 | 6.61               | 6.60 | 6.38      | 6.06   | 6.16   | 6.39  | 5.93  | 6.15   | 5.98   | 6.14 |
| Recycling                             | 6.57           | 6.31 | 6.78               | 6.81 | 6.37      | 6.27   | 6.63   | 6.76  | 6.39  | 6.46   | 6.48   | 6.49 |
| Savings                               | 6.58           | 6.51 | 6.78               | 6.94 | 6.70      | 6.44   | 6.60   | 6.72  | 6.46  | 6.77   | 6.13   | 6.58 |
| Value of Education                    | 6.76           | 6.51 | 6.83               | 6.96 | 6.43      | 6.55   | 6.74   | 6.94  | 6.72  | 6.71   | 6.56   | 6.67 |



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THE DEVELOPMENT OF A DISTRIBUTIVE INTERACTIVE  
COMPUTING MODEL IN CONSUMER ECONOMICS,  
UTILIZING JEROME S. BRUNER'S THEORY OF INSTRUCTION

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Abstract

A computerized delivery system in consumer economics has been initiated at the University of Delaware which merges the content of consumer economics and the methodology emphasized in consumer education into a "life-adjustment" agenda. Resulting from the merger is a conceptual approach to consumer economics/education which provides a mechanism for delivering computerized consumer-oriented lessons for students, adults, and their teachers.

A computerized delivery system in consumer economics based upon Jerome S. Bruner's Theory of Instruction has been initiated at the University of Delaware. Fundamental to the consumer learning model is the sequential presentation of 16 lessons demonstrating consumer economic theory in layman's terms. The 16 lessons are part of The Consumer in the Marketplace Series (CMS) and are structured to permit program activities to focus upon six cognitive behaviors: knowledge, comprehension, applications, analysis, synthesis, and evaluation.

The model merges the content of consumer economics and the methodology emphasized in consumer education into a "life-adjustment" agenda which is delivered by means of a mainframe computer (Control Data Corporation CYBER 173 series) which is part of the University's PLATO System housed in the Office of Computer-Based Instruction. Resulting from the merger is a conceptual approach to consumer economics/education which provides a mechanism for delivering computerized consumer-oriented lessons to three target groups: (1) students enrolled in a basic consumer economics course at the Collegiate level; (2) teachers who are either in the process of having consumer education responsibilities at a variety of levels of education (elementary, secondary, or post-secondary) or those who may be in the process of preparing for careers in teaching; and (3) adults who are not actively involved in a formal educational process but who are interested in improving their consumer skills.

The model adopted for presenting concepts in consumer economics/education is an attempt to respond to three primary concerns; (1) to make the basic course in consumer economics available to more students without significantly expanding resources; (2) to merge "hard-core" consumer economic theory with the methodology (how-to-buy) of consumer education programs to serve a variety of audiences (teachers, adults, con-

sumer economic majors, etc.); and (3) to increase the awareness level of students (and faculty in other disciplines) as to the importance of attaining "spending competencies."

While completing four-year Baccalaureate degree educational programs, the basic assumption adopted for designing the model is that a Collegiate program must provide students with two kinds of learning: one set of experiences to prepare the individual to enter into the world of work as a productive citizen; and second, to prepare that same individual to increase his/her spending power. The premise here is that teaching students only how to earn money but failing to provide any assistance on how to spend it is giving "half a program."

Finally, the consumer learning model also provides a mechanism for preparing individuals to assume an "advocacy" role in the marketplace. This advocacy can only become a reality if wage earners understand the effects individual purchases have upon the family, community, and nation. It is vital for consumers today to understand how individual voices may be heard so they can contribute in forming the kind of marketplace in which they would like to live. Therefore, the model adopted is an attempt to increase the audience of consumer economics/education programs and to "enlighten" other academicians as to the importance of this discipline to producing a well-rounded, productive citizen.

FRAMEWORK OF MODEL

The framework for the model developed was derived from the writings of Jerome S. Bruner. The three publications which provided a frame of reference for establishing an independent instructional program were Process of Education, Toward A Theory of Instruction, and On Knowing: Essay for the Left Hand. (A listing of other writings which were useful in model formation are provided in the reference section of this paper.) Upon analyzing these writings, the following four components (or what Bruner identifies as "constructs") reflecting the "core" of Bruner's Instructional Theory were incorporated into the instructional model: (1) process of education; (2) structure of knowledge; (3) optimal sequence; and (4) reinforcement.

1. Process of Education. Basic to Bruner's Theory is an emphasis upon the "process" rather than the "product of learning" and the promotion of both analytical and intuitive thought on the

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part of the student. The consumer learning model emphasizes the utilization of problem-solving techniques resulting in the student analyzing his or her own behavior in the marketplace as decisions are made. Therefore, the emphasis is upon having students analyze a variety of strategies for making choices in the marketplace -- that is, applying concepts to one's own behavior in the marketplace.

2. Structure of Knowledge. Another important "construct" to Bruner's Theory is that of providing the learner with appropriate knowledge which is to be used as a foundation for the later development of other advanced cognitive behaviors. In the consumer learning model developed, each lesson focuses upon one concept. The feedback capabilities intrinsic to computing systems permits frequent verifying of student's knowledge acquisition as progress is made through each lesson. The interactive capabilities of computers via remote terminals provide excellent opportunities for communicating with students to ensure basic knowledge is comprehended and can be applied to realistic situations.

3. Optimal Sequence. A third "construct" of significance to Bruner's Theory is that of providing the student with an appropriate sequence of learning activities progressing from the specific (or practical experiences) to the more abstract (or advanced cognitive learning behavior). The consumer learning model utilizes a case-study format which requires the student to apply basic knowledge learned to specific problems in the marketplace. The learner is provided with the "particulars" of a problem and then required to implement a strategy for arriving at a decision.

4. Reinforcement. Bruner's Theory also views reinforcement as an important element to instruction. The consumer learning model incorporates both extrinsic and intrinsic rewards as the student advances through learning activities. Each student receives credit in the form of "performance points" upon completing each lesson successfully. In addition, during casework, students are requested to solve problems relating to their own experience in the marketplace, thus providing self-motivation for perceiving how consumer economics theory relates to their own actions.

Each lesson in the consumer series consists of a pretest, lesson placement, program delivery, and posttest. The user of each lesson is requested to apply a concept to specific content areas such as housing, health care, credit, etc. -- and to be able to determine the consequences of proposed actions. Each lesson has been designed to enable users to complete activities

in 30 to 45 minutes. Lessons are structured into three to four segments permitting students to review parts of a lesson upon demand. A variety of consumer models which are used as a basis for analyzing consumer behavior in the marketplace are illustrated throughout the Consumer in the Marketplace Series. In addition, lessons often request students to compare their own decisions with those reflected in the conceptual model presented.

#### CONSUMER MODEL DESIGN

The Consumer in the Marketplace Series (CMS) is divided into four segments with each focusing upon a specific theme (See Table 1). The first segment relates to analyzing RATIONAL BEHAVIOR in the marketplace, specifically identifying those factors which must be present in order to make wise decisions (e.g., information, power, certainty, organization, etc.) The initial lesson in this segment describes the act of consumption in terms of how choices are made by the consumer. The following lesson emphasizes a variety of mechanisms available to the consumer to accumulate useful information needed for making an informed decision. The concept of sovereignty is then examined in terms of allocating resources of the consumer (time, energy, and money) to get maximum satisfaction from expenditures. Indexing is studied as a mechanism for determining trends in the marketplace. Primary attention is focused upon the strengths and weaknesses of the Consumer Price Index as a measure of market activity. The concept of time-probability is then analyzed in terms of how consumer expectations (perception of the future) affect today's planning and expenditures in the marketplace. The first group of lessons conclude with the study of the concept of rationality which focuses upon the organization of consumer activities into a disciplined agenda for carrying out a decision.

The second cluster of lessons provide students with activities focusing upon consumer skills relating to INCREASING INDIVIDUAL EARNING POWER. The concept of investment-in-human capital pinpoints the students' attention upon the importance of occupational choice and meeting job requirements (e.g. specifically training opportunities). The following lesson on opportunity costs examines the changing roles of the male and female in family units. Finally, the concluding lesson in this segment describes the concept of optimal consumption stream which focuses attention upon the necessity of protecting earnings and maintaining a continuous stream of income during difficult times -- such as unemployment, severe illness, or other catastrophes which may occur during an individual's lifetime.

TABLE 1. Consumer In The Marketplace Series  
(Computer Lesson)

| Segment                               | Lesson                                | Application                       |
|---------------------------------------|---------------------------------------|-----------------------------------|
| I. Exhibiting Rational Behavior       | # 1 - Consumption                     | Choosing Goods/Services           |
|                                       | # 2 - Optimal Information             | Sources of Knowledge              |
|                                       | # 3 - Sovereignty                     | Allocation of Resources           |
|                                       | # 4 - Indexing                        | Consumer Price Index, etc.        |
|                                       | # 5 - Time Probability                | Consumer Expectations             |
|                                       | # 6 - Rationality                     | Money Management/Budgeting        |
| II. Increasing Earning Power          | # 7 - Investment-in-Human Capital     | Occupational Selection/Training   |
|                                       | # 8 - Opportunity Costs               | Family Roles/Child Rearing        |
|                                       | # 9 - Optimal Consumption Stream      | Saving and Investing              |
| III. Increasing Spending Power        | #10 - Transfer of Income              | Consumer Credit                   |
|                                       | #11 - Product Liability               | Durable Goods/Warranties/Safety   |
|                                       | #12 - Consumer System                 | Health and Transportation         |
|                                       | #13 - Product Attributes/Consequences | Housing and Clothing              |
|                                       | #14 - Transfer Payments               | Taxes/Social Security, etc.       |
| IV. Performing Within Legal Framework | #15 - Public Policy                   | Government Regulation/Food Supply |
|                                       | #16 - Consumer Rights                 | Legal Recourse                    |

Segment II concentrates upon activities which may assist the consumer in INCREASING HIS/HER SPENDING POWER. The concept, transfer of income, describes the importance of managing credit while making purchases in the marketplace. Product liability is studied in terms of consumer safety issues. Specific emphasis is upon purchasing consumer durables (e.g. kitchen appliances, stereos, etc.) and the warranties which accompany many of these purchases. The next lesson in the Series identifies the existence of a consumer system by breaking down the marketing of goods and services into inputs, throughputs, and outputs. Examples used in the lesson relate to transportation and health care systems. Product attributes/consequences are compared utilizing examples associated with consumption patterns related to housing and clothing. The last but most important topic discussed in this segment is that of transfer payments. The lesson focuses upon taxes, government expenditures, and their impact upon the consumer.

The final segment in the CMS Series examines the political and legal framework within which an individual must function in our society. The computer lesson on public policy presents the complexities associated with government regulation of the marketplace. An analysis of how food is delivered to the marketplace -- and its cost is made. Finally, the Series concludes with an examination of consumer rights in the

marketplace. Specific steps which may be taken by the consumer when seeking redress are identified and discussed.

#### CONCLUDING REMARKS

Utilizing Jerome S. Bruner's Instructional Theory as a basis for program development, the Consumer in the Marketplace Series reflects a "life-adjustment educational approach" for learning how to maximize satisfaction from spending one's income. The approach results in the merging of traditional consumer economics theory with basic consumer education methodology for meeting the needs of a variety of individuals. The models presented throughout the series of lessons serve as a basis for analyzing consumer behavior in the marketplace. The feedback capabilities of the computer enables students to be monitored as lesson activities are performed to assure that a solid foundation is developed before advanced knowledge is acquired. In order to give definition and purpose to consumer economics, topics are sequenced as to optimize the learning experiences of students.



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CONSUMER USE OF A HOUSEHOLD INFORMATION HOTLINE GENERATED BY RADIO  
PUBLIC SERVICE ADVERTISEMENTS AND THE CALLERS' PREFERENCES FOR  
CONSUMER INFORMATION SOURCES

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Abstract

Public service advertisements (PSA) were broadcast on three major New York City radio stations to advertise a Household Information Hotline to consumers. There were no differences in the number of calls to the hotline by Information Seekers (IS) and Average Consumers (AC). Most hotline callers preferred getting their consumer information from friends or relatives, books or magazines, or by using the telephone. Reading advertisements and asking salespeople were the least preferred sources. While there were no differences between the least preferred information sources of IS and AC, IS did show a preference for books and magazines as the most preferred source and AC most preferred using the telephone. There were indications in the study that income alone could be used to classify consumers as IS or AC.

People use consumer information sources differently. According to Thorelli, Becker, and Engledow (12), some consumers are Information Seekers (IS), while others are Average Consumers (AC) (p. 42). IS differ from AC in that IS are more conscious that information exists; they are more knowledgeable about information sources; and they tend to use more sources (13, p. 251). Thorelli and Thorelli (13) contend that reaching various types of consumers depends on using the right strategies and matching an organization's resources to environmental opportunities (13, p. 287).

A truism in the consumer literature is that information programs are used most frequently by those who need them the least, that is, by the IS (6). In order to determine which strategies successfully reach AC, the study of different types of consumer communications channels is necessary.

Communications research indicates that: "... for the initial awareness stage of receiving information, the mass media are obviously more efficient than interpersonal relations (5, pp. 30-31)." Because of the expense of using mass media, many consumer information programs rely on public relations efforts or on public service advertisements (PSA) to make the public aware of their services. Limited research on PSA exists

(2,3,4,7,8,9), and there is much to learn about the demographics of consumers who do respond to public service messages (1, 6).

According to consumer research, IS read more than AC (12, p. 67), but AC listen to more radio (12, p. 68). In order to assess the capacity of one type of media, radio, to inform and encourage consumers to use a consumer information program, the researchers looked at the number and types of responses by IS and AC to a Household Information Hotline whose use was generated solely by radio public service advertisements. The researchers also determined IS and AC preferences for using hotlines in comparison to other types of consumer information programs.

The Method

The researchers selected three major New York City radio stations to broadcast identical public service advertisements for an eight-week period. CBS-AM, CBS-FM, and NBC-AM were chosen based on their audience appeal as reported in Spot Radio Rates and Data (10) and on their willingness to provide air time for the project. The exact times the PSA were broadcast could not be controlled, because the nature of PSA does not permit it. The broadcasting of PSA in this study was the equivalent to the way these announcements are generally broadcast when used in other information campaigns.

The PSA for the project were professionally produced with the help of the radio stations involved and were representative of the type of PSA most frequently used. The advertisement read: "Household problems? We have the answers. Bring us your questions about home management. Home Economists from New York University are standing by at the Household Information Hotline \_\_\_\_\_. We've got free information on all household problems - food, housing, clothing, family care, and money management. Call us at \_\_\_\_\_. The Household Information Hotline is open from 10:00 A.M. to 4:00 P.M., Monday through Friday. That's \_\_\_\_\_ for answers to your household questions."

To answer inquiries generated by the PSA, a Household Information Center was established at New York University and staffed by a professor and two graduate students from the Department of Home Economics. The Center consisted of standard office equipment: three consumer telephone lines (one for each of the three radio stations broadcasting the PSA), and reference materials for

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answering consumer inquiries. The center ceased operating when data collection was completed.

Subjects for the study were those consumers with household inquiries who reached hotline personnel by telephone or who left their names with the answering devices or service for callbacks. The researchers assumed that the subjects were generated by the PSA because the Household Information Hotline was a new consumer program never before advertised or used by the public.

Four instruments were used to collect data: a Consumer Inquiry, Reply, and Method of Reply Form; a Telephone Interview Questionnaire; a Household Cognitive Tasks Categorization Sheet; and the occupational classification system contained in the Dictionary of Occupational Titles (1).

The Consumer Inquiry, Reply, and Method of Reply Form was used to record the source of information to the consumer about the hotline; the date and time the consumer called or was called back; the nature of the consumer's inquiry; a summation of the interviewer's reply; and how and when the reply was communicated to the consumer. The form was developed for the purposes of this research, and the format was pre-tested.

The Telephone Interview Questionnaire was developed based on a questionnaire by Thorelli, Becker and Engledow (12, pp. 339-363) which established the categories of IS and AC. The questionnaire was administered to all hotline callers with their permission.

The Categorization Sheet of Household Cognitive Tasks was adapted from research by Steidl (11) and was used to categorize the types of inquiries by hotline callers.

The researchers used the Dictionary of Occupational Titles (14) to categorize consumers based on the occupations of the heads of their households ascertained by the Telephone Interview Questionnaire.

Consumers were categorized as IS or AC if they met at least four out of the seven criteria for each group adapted from the criteria used by Thorelli, Becker, and Engledow (12) and by Thorelli and Thorelli (13). IS in previous studies were subscribers to Consumer Reports, professional persons, upper middle income (\$15,000 to \$24,999), had at least a four-year college degree, were likely to be married, were in the 25 to 54 age group, and were aware of and used more information sources. In this study the IS were subscribers to any consumer testing magazine, professional, managerial, or technical persons, had a family income \$20,000 or above, were four-year college graduates, were married, were in the 25 to 54 age group, and used two or more selected information sources with the past year.

## Analyses

The sample consisted of 149 consumers who telephoned the Household Information Hotline between December 1, 1979, and January 31, 1980, and who were interviewed by hotline personnel. The sample was generated by 168 PSA on the selected radio stations. Almost all of the respondents said they had heard about the hotline on the radio.

## Descriptive Statistics

Characteristics of the total sample were as follows: the majority of callers to the Household Information Hotline were female (69%), married (58%), and 25-54 year old (62%); there was also a sizable group over 54 years old (26%), and a very small number of subjects under 25 years old (8%).

TABLE 1. Descriptive Statistics: Sex, Age and Marital Status of the Total Sample  
N=149

| Variable              | N   | Percentage <sup>1</sup> |
|-----------------------|-----|-------------------------|
| <u>Sex</u>            |     |                         |
| Female                | 103 | 69                      |
| Male                  | 42  | 28                      |
| No response           | 4   | 3                       |
| <u>Age</u>            |     |                         |
| Under 25 years        | 12  | 8                       |
| 25-34 years           | 45  | 30                      |
| 35-54 years           | 48  | 32                      |
| Over 54 years         | 39  | 26                      |
| No response           | 5   | 3                       |
| <u>Marital Status</u> |     |                         |
| Married               | 87  | 58                      |
| Single                | 28  | 19                      |
| Widowed               | 20  | 13                      |
| Divorced              | 10  | 7                       |
| No response           | 4   | 3                       |

<sup>1</sup>May not equal 100 percent due to rounding.

Most of the callers to the hotline were employed either in professional, technical, or managerial occupations (43%), or working in clerical or sales positions (27%). The remaining subjects (30%) worked in various occupational categories.

The majority of consumers calling the hotline were not college graduates (57%), but only a small percentage (11%) did not graduate from high school. Twenty-seven percent (27%) of the subjects graduated from college, and thirteen percent (13%) from graduate or professional school.

All income ranges were represented in the total sample with the largest percentage of respondents falling into the extremes categories (36% earned under \$15,000 per year, and 27% earned over \$30,000 per year).

TABLE 2. Descriptive Statistics: Occupational Categories of the Total Sample  
N=149

| Occupational Category                   | N  | Percentage <sup>1</sup> |
|-----------------------------------------|----|-------------------------|
| Professional, Technical, and Managerial | 65 | 43                      |
| Clerical and Sales                      | 40 | 27                      |
| Service Occupations                     | 11 | 7                       |
| Machine Trade                           | 7  | 5                       |
| Bench Work                              | 4  | 3                       |
| Structural Work                         | 2  | 1                       |
| Processing Occupations                  | 1  | 1                       |
| Farming, Fishery, Forestry and Related  | 0  | 0                       |
| Miscellaneous Occupations               | 9  | 5                       |
| No Response                             | 10 | 7                       |

<sup>1</sup>May not equal 100 percent due to rounding.

TABLE 3. Descriptive Statistics: Educational Level of the Total Sample  
N=149

| Educational Level               | N  | Percentage <sup>1</sup> |
|---------------------------------|----|-------------------------|
| Less than High School Graduate  | 17 | 11                      |
| High School Graduate            | 55 | 37                      |
| Some College                    | 14 | 9                       |
| College Graduate                | 40 | 27                      |
| Graduate or Professional School | 19 | 13                      |
| No Response                     | 4  | 3                       |

<sup>1</sup>May not equal 100 percent due to rounding.

TABLE 4. Descriptive Statistics: Income Level of the Total Sample  
N=149

| Total Family Income      | N  | Percentage <sup>1</sup> |
|--------------------------|----|-------------------------|
| Under \$15,000 per year  | 53 | 36                      |
| \$15,000-19,999 per year | 19 | 13                      |
| \$20,000-30,000 per year | 30 | 20                      |
| Over \$30,000 per year   | 40 | 27                      |
| No response              | 7  | 5                       |

<sup>1</sup>May not equal 100 percent due to rounding.

Descriptive Statistics: Characteristics of Inquiries to and Responses from the Household Information Hotline

PSA on CBS-FM (the AC station) produced the highest percentage (46%) of inquiries. The IS station (CBS-AM) produced slightly fewer calls (37%). NBC-AM, meant to appeal to both IS and AC, yielded only 17% of the inquiries. Most consumers (97%) stated that they heard about the hotline on the radio; while very few subjects (3%) said they learned of the service from friends.

The majority of calls (95%) were received by hotline personnel or by telephone answering machine or service between the hours of 6:00 A.M. and 4:49 P.M. Only one percent (1%) of the calls were received between 12:01 A.M. and 5:59 A.M.

Seventy-five percent (75%) of the consumers who reached hotline personnel were given immediate answers to their questions. Forty-five percent (45%) of the consumers were referred elsewhere, and three percent (3%) were sent literature from the Household Information Center.

The majority of consumers (55%) either received advice from the hotline (35%) or were referred to governmental consumer programs (20%). Another twenty-one percent (21%) of callers were referred to trade organizations or others representing profit-making firms (12%); retailers, mail order, or service companies (9%); and wholesalers or manufacturers (2%).

Descriptive Statistics: Consumer Use of and Preferences for Selected Consumer Information Sources

The majority (60%) of consumers contacting the Household Information Hotline had used one or more of the selected consumer information sources within the past year. Only six percent (6%) of the callers had used four or more sources within the past year.

The Department of Consumer Affairs had been used by twenty-two percent (22%) of the sample within the past year; a television or radio consumer reporter had been contacted by seventeen percent (17%); the Better Business Bureau by fourteen percent (14%); Small Claims Court by eleven percent (11%); and a newspaper or magazine consumer reporter by ten percent (10%). The majority (55%) of consumers had not written a letter of complaint to a retail store or product manufacturer within the past year. Seventeen percent (17%) of the sample reported that they were subscribers to Consumer Reports magazine.

Consumers reported that they most preferred receiving consumer information by: asking friends or relatives (36%); looking in books or magazines (31%); and by using the telephone (26%). They least preferred reading advertising (48%) and asking salespeople (32%).



Table 5. Descriptive Statistics: Consumer Preferences for Selected Types of Information Sources  
N=149

| Variable                      | Most Preferred |    | Least Preferred |    |
|-------------------------------|----------------|----|-----------------|----|
|                               | N              | %  | N               | %  |
| Asking friends or relatives   | 54             | 36 | 14              | 9  |
| Looking in books or magazines | 46             | 31 | 8               | 5  |
| Asking salespeople            | 4              | 3  | 48              | 32 |
| Using the telephone           | 38             | 26 | 4               | 3  |
| Reading advertising           | 3              | 2  | 71              | 48 |
| No response                   | 4              | 3  | 4               | 3  |

#### Testing of the Research Hypotheses

Among the null hypotheses tested in this study were the following: Hypothesis 1 - There are no differences between the number of inquiries to the Household Information Hotline from IS and from AC generated by the PSA on the selected radio stations; and Hypothesis 2 - There are no differences between IS and AC preferences for using the selected types of consumer information sources.

Using Chi-Square Tests of Independence with two variables of classification, the researchers found no differences between the inquiries to the Household Information Hotline from IS and from AC generated by the PSA on the three selected radio stations. A .05 level of significance was used for rejection of the null hypothesis.

Table 6. Radio Station by Consumer Group.  
N=149

|                    | Average Information Consumer Seeker |    | Total |
|--------------------|-------------------------------------|----|-------|
| CBS-AM (IS appeal) | 22                                  | 33 | 55    |
| NBC-AM (IS and AC) | 14                                  | 11 | 25    |
| CRZ-FM (AC appeal) | 34                                  | 35 | 69    |
| Total              | 70                                  | 79 | 149   |

\* $\chi^2(2) = 2.04$ , not significant at  $p .05$ .

However, there was a significant difference between IS and AC most preferred types of consumer information sources. IS showed a preference for reading books and magazines, while AC preferred using the telephone. There were no significant differences between least preferred consumer information sources among IS and AC.

Table 7. Most Preferred Type of Consumer Information Source by Consumer Group.  
N=145

| Source                | Average Information Consumer Seeker |    | Total |
|-----------------------|-------------------------------------|----|-------|
| Friends and Relatives | 28                                  | 26 | 54    |
| Books and Magazines   | 11                                  | 35 | 46    |
| Asking Salespeople    | 3                                   | 1  | 4     |
| Using the Telephone   | 22                                  | 16 | 38    |
| Reading Advertising   | 2                                   | 1  | 3     |
| Total                 | 66                                  | 79 | 145   |

\* $\chi^2(2) = 11.85$ ,  $p < .05$

Table 8. Least Preferred Type of Consumer Information Source by Consumer Group  
N=145

| Source                | Average Information Consumer Seeker |    | Total |
|-----------------------|-------------------------------------|----|-------|
| Friends and Relatives | 6                                   | 8  | 14    |
| Books and Magazines   | 5                                   | 3  | 8     |
| Asking Salespeople    | 20                                  | 8  | 28    |
| Using the Telephone   | 1                                   | 3  | 4     |
| Reading Advertising   | 34                                  | 37 | 71    |
| Total                 | 66                                  | 79 | 145   |

\* $\chi^2(3) = .58$ , not significant at  $p .05$ .

#### Supplemental Hypotheses for Further Exploration of the Data

Examination of the data collected under "Descriptive Statistics" and "Testing of the Research Hypotheses" suggested possible relationships between variables in addition to those originally proposed. Additional analyses were performed using the appropriate cross-tabulations, Chi-Square Tests, Analyses of Variance, and Post Hoc Scheffe Tests.

Among the results of these analyses was an interesting finding relating to the categorization of IS and AC. In other research, subscriptions to Consumer Reports magazine have been used as the primary criterion for categorizing the IS (12). In order to determine the relationship between Consumer Reports subscriptions and consumer group

In this study, a cross-tabulation was performed. If Consumer Reports subscriptions had been the sole criterion for categorizing the IS in this study, almost one-third (22.9%) of the sample would have been misclassified

$$\left( \frac{2 + 55}{143} \times 100 \right)$$

Table 9. Consumer Reports Subscribers by Consumer Group.

N = 143<sup>1</sup>

| Variable        | Average Information |         |       |
|-----------------|---------------------|---------|-------|
|                 | Consumers           | Seekers | Total |
| Non-subscribers | 62                  | 55      | 117   |
| Subscribers     | 2                   | 24      | 26    |
| Total           | 64                  | 79      | 143   |

1

The total number of respondents used in this analysis is less than 149 because of missing data.

#### Summary of Findings and Implications for Further Research

Although the radio PSA did not generate a large number of respondents to the Household Information Hotline, the announcements did attract both IS and AC. The use of the hotline in about equal numbers by IS and AC gives evidence to confirm that hotlines are used by both types of consumers. This finding helps refute the truism that only IS use consumer programs.

Using radio PSA in combination with a telephone hotline seemed to be an appropriate strategy for reaching both types of consumers. However, the radio stations were selected to appeal to specific consumer groups, but the results indicated that the PSA on all three stations generated responses from both IS and AC.

The Thorelli and Thorelli (13) "Ecologic Model of CI (Consumer Information) Programs" contends that in order to reach program goals, consumer information programs must use proper strategies to match their resources to environmental opportunities (p. 287). For an independent consumer information program such as the Household Information Hotline, PSA on the radio seemed to be an appropriate match between "organizational resources" and "environmental opportunities." The radio PSA used in the study were inexpensive; they were produced easily; and they were placed without difficulty on the three New York City radio stations. However, the lack of control over the timing of the PSA affected their usefulness to the hotline and interfered with the program's objectives.

The 168 PSA in this study resulted in 149 calls which were answered by the Household Information Hotline personnel over a two month period. Almost all of the respondents said they heard about the hotline on the radio. Analyses of data generated by these calls revealed that callers to the hotline were most likely to be female; married; 25-54 years old; employed in professional, technical, managerial, clerical, or sales positions; high school graduates; and having total family incomes either under \$15,000 per year or over \$30,000 per year. Few respondents were under 25 years old.

The majority of callers to the hotline had contacted at least one other consumer program within the past year. The Department of Consumer Affairs was the most popular choice, followed by television or radio consumer reporters, and the Better Business Bureau. College graduates, those with professional, managerial, or technical occupations and those with higher incomes tended to use more information sources. Less than one-fifth of the respondents were subscribers to Consumer Reports.

Most consumers in the sample preferred getting their consumer information from friends or relatives, books or magazines, or by using the telephone. Reading advertisements and asking salespeople were the least preferred sources. There were no differences between least preferred consumer sources of IS and AC. However, IS showed a preference for books and magazines as the most preferred source of information; while AC most preferred using the telephone.

The determination of IS and AC in this study was based on adaptations of Thorelli, Becker, and Engledow (12) and on Thorelli and Thorelli (13). There were indications in this study that income alone could be used to classify consumers as IS or as AC.

#### Implications for Further Research

It would seem from the analyses of data in this study that the following areas need to be examined further: 1) There was not a large response by consumers to the Household Information Hotline. The ability of PSA on other types of media (either alone or in conjunction with radio PSA) to generate calls to a consumer hotline needs to be examined; 2) Chains-of-communication were used by a few respondents to learn about the hotline. The role of interpersonal communication in the transmission of information concerning the availability of consumer programs needs to be studied; 3) Lack of control over timing of the PSA in this study interfered with program goals. The timing of the PSA, the message content, and the relationships between the Community Service departments of radio stations and programs using PSA need to be studied; 4) The PSA in this

study generated a majority of calls by married, middle-aged females. Further investigation is needed to learn of the proper strategies for using radio PSA to reach consumers in other demographic categories. Special attention needs to be devoted to reaching consumers under 25 years old. 5) In this study, AC preferred getting consumer information by asking friends and relatives and by using the telephone. An investigation of the accuracy of the household information transmitted by friends and relatives needs to be undertaken. Also, further study is needed to ascertain which types of consumer information programs could reach AC by establishing hotline; 6) IS preferred getting consumer information from books and magazines according to the analyses in this study. Types and extent of use of books and magazines by IS need to be examined to determine which ones are most effective in transmitting household or other consumer information; 7) Reading advertising and asking salespeople were the least preferred sources of information for the sample in this study. Additional research is needed to determine if these negative attitudes toward business related consumer information sources are widespread, and if so, why; and 8) If income had been used to classify subjects in this study as IS or AC, only a small percentage of subjects would have been mis-classified. Additional research is needed to confirm whether or not income alone could be used to classify consumers as IS or AC.

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# ECONOMIC PERCEPTIONS AND ATTITUDES: THE INFLUENCE OF A SELF-FULFILLMENT ORIENTATION

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## Abstract

The purpose of the research reported here was to examine economic perceptions and attitudes of college students. The independent variable was the self-designated orientation of the students: those having a self-fulfillment orientation and those having a non-self-fulfillment orientation. The data were collected, by means of a self-administered questionnaire, from 536 undergraduate women students enrolled in land-grant colleges in Georgia and Tennessee. The analysis revealed significant differences between the two orientation groups and the variables: (a) reasons why persons encounter serious indebtedness and (b) percentage of students who worked while attending school. Four other variables, namely, (a) what money symbolizes, (b) reasons why some persons become wealthy, (c) students' expectation about their economic future and (d) income versus social status as gauges of success, were not related to the orientations of students.

## Introduction

American society is entering a new phase - the era of the "self" generation. On a daily basis individuals and families are saturated with the "self" message - self-fulfillment and achievement through growth in self. This movement of self-seekers is eliciting a response from people of all ages. The effect of such a "self-fulfillment" orientation goes beyond mere numbers; it gives a particular shape and hue to a culture and its institutions. The impact of an individual's perceptions of the economic world is in a like manner filtered through this concept of "self".

During times of rapid change and transition, societies have often adopted a "self-made man" philosophy -- a belief in self-control over one's economic and social destiny. America is permeated with such an ideology (2). Concepts such as the "natural elite of talent and virtue" from Franklin and Jefferson to the doctrine of self-culture and self-reliance from Emerson are still popular among twentieth-century Americans who are faced with rapid social and economic change (2). This attitude of the self as the key element is still reflected by educated, middle-class Americans of non-conformity and dissent (11).

In the 1920's a rapid development of industries resulted in a mass culture (4). As Ewen (4, p. 43) stated: "In the 20's, by transforming

the notion of 'class' into 'mass', business hoped to create an 'individual' who could locate his needs and frustrations in terms of the consumption of goods rather than the quality of content of his life." So viewed, consumption then became a means of self-assertion and a vehicle of self-expression.

After World War II the American economy felt the impact of the new affluency which was spreading throughout the nation. This feeling gave Americans an optimistic outlook towards their "standard of living," which led to greater consumer discretion -- the consumers' ability to use some of their money for 'wants' rather than 'needs' (6). The 1950's stand as a watershed in the economic fabric of America. The introduction of television and the development of mass-production techniques made it possible to influence the behavior of millions of people and to mobilize mass action (1).

According to Riesman (8) the most popular product of a post-industrial society is a "pleasing personality" and strong personal interaction skills which serve as the keys to success. This socialization process switches importance to the peer group as a source of direction rather than the family and creates an "other-directedness", which is consistently reinforced by mass media. Singer (10) concluded that the vast majority of any society will conform to the dominant types of that society and emerge as the "normal" personality types. So viewed, "self-seeking" would emerge as a highly appropriate economic stance.

Several generalizations about the "self" generation can be drawn from the literature. The image that emerges is one of individual action and direction. The emphasis is on the present in consumer actions. The goal of self-fulfillment, however defined, can be viewed as the overriding factor in decision making. Such an orientation would be expected to bear heavily on the economic expectations and attitudes of individuals and families. Past research also suggests that even when a general pessimism about economic trends exists, perceived economic well-being may promote the consumption of goods and services (3, 6, 5). This juxtaposition of a perceived personal status and a viable economy also suggests self-fulfillment as an orientation.

The primary purpose of the study reported here was to examine the economic perceptions and attitudes of college students in terms of (a) a self-fulfillment orientation and (b) a non-self-fulfillment orientation. The research

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hypothesis being addressed here is that the perceptions and attitudes held by students having a self-fulfillment orientation will differ significantly from those having a non-self-fulfillment orientation.

#### Methodology

In the Spring of 1979, by means of a self-administered questionnaire, data were collected from 536 women undergraduate students who attended two land-grant colleges in Georgia and two in Tennessee.

Three hundred forty-three of the students were upper-classmen and 193 were under-classmen. The major independent variable was the students' orientation toward self-fulfillment. This dichotomy was elicited by the question, "Which of the following are of strong personal value to you - family, having children, religion, education, work, not being in debt, saving money, patriotism, doing things for others, financial security and self-fulfillment." This question was based on a similar question in a study on the American family and money by (12).

Subjects who indicated "self-fulfillment" was important to them were treated as having a self-fulfillment orientation; and students who did not indicate self-fulfillment was important to them were, regardless of which other opinions they checked, labeled as having a non-self-fulfillment orientation. The strong personal values of education, work, not being in debt, saving money, doing things for others, and financial security were indicated at a significantly higher frequency for the self-fulfillment group than the non-self-fulfillment group. The values of family, having children, religion, and patriotism were not significantly different for the two groups. Dependent variables were (a) money as symbolism, (b) reasons for becoming wealthy, (c) reasons for serious indebtedness, (d) expectation about one's economic future, (e) indexes of economic success, and (f) whether or not student worked while attending college.

Before reporting the relationship between the stated independent and dependent variables, it should be noted that age, race and size of home town were considered to be intervening variables. However, early in the analysis it was observed that student orientations were not significantly related to these three demographic variables. Therefore, they were not employed in the primary analysis.

#### Findings

##### What Money Symbolizes

Subjects were asked to indicate which of the following attributes money symbolized to them: security, freedom, power, status and comfort. The analysis failed to show any significant differences in the responses of students having and not having a self-fulfillment orientation. It

is worthy of note, however, that 47% of all students indicated that money meant security and that 35% of them thought money symbolized comfort.

##### Reasons for Becoming Wealthy

Students were asked why some persons are wealthier than others. Response options were: luck, hard work, wealthy parents, combination of luck and hard work, and other. Again, the analysis revealed that the responses of students having a self-fulfillment orientation did not differ significantly from those having a non-self-fulfillment orientation. Four of every ten students thought that a combination of luck and hard work led to wealth. Meanwhile, only one student out of five thought wealth was attributed to parents.

##### Reasons for Serious Indebtedness

Students were asked why they thought some persons encountered serious indebtedness. Was it due to: a lack of willpower, lack of knowledge about money/credit, sickness or injury, or bad luck? By means of a chi-square analysis, it was found that overall responses of students having a self-fulfillment orientation differed significantly from students having a non-self-fulfillment orientation. Proportionally more of the first group thought lack of knowledge about money/credit was related to indebtedness than was true of the second group.

Table 1. Students' Attitudes Concerning Why Some Individuals Get Into Serious Debt

| Reasons for Serious Debt                             | Self-fulfillment Orientation<br>n = 313 |     | Non-Self-fulfillment Orientation<br>n = 212 |     |
|------------------------------------------------------|-----------------------------------------|-----|---------------------------------------------|-----|
|                                                      | %                                       | n   | %                                           | n   |
| No will power                                        | 19.5                                    | 61  | 24.1                                        | 51  |
| Lack of knowledge about money/credit                 | 69.0                                    | 216 | 59.4                                        | 126 |
| Sickness or injury                                   | 5.8                                     | 18  | 11.3                                        | 24  |
| Bad luck                                             | 5.8                                     | 18  | 5.2                                         | 11  |
| Chi square = 7.989; p = .047; degrees of freedom = 3 |                                         |     |                                             |     |

##### Students' Expectations about their Economic Future

Students were asked to indicate whether they thought their economic future were secure or insecure. The orientation of the students was not significantly related to their feelings about their future economic status. It is important to report, however, that 73 percent of the total number of subjects thought that their economic

future was secure. Parenthetically, since the general status of the economy is worse in 1981 than in 1978, one can speculate that fewer students would be optimistic about their economic future.

#### Students' Perceptions of Gauge of Success

Subjects were asked to indicate whether they thought success (however defined by the students) should be measured by income or social status (position). Orientation was not found to be significantly related to responses. Of some importance, however, is the general observation that almost three-fourths (73%) of the students perceived income to be the better gauge of success.

#### Work Status of Students

The analysis revealed that proportionally more students (43%) having a self-fulfillment orientation worked while in college than those (33%) having a non-self-fulfillment orientation.

Table 2. Students' Responses to Whether the Student was Working while Attending School

| Student Response | Self-fulfillment Orientation<br>n = 315 |     | Non-Self-fulfillment Orientation<br>n = 217 |     |
|------------------|-----------------------------------------|-----|---------------------------------------------|-----|
|                  | %                                       | n   | %                                           | n   |
| Yes              | 42.5                                    | 134 | 32.7                                        | 71  |
| No               | 57.5                                    | 181 | 67.3                                        | 146 |

Chi square = 4.82; p. = .028, degrees of freedom = 1

#### Summary & Implications

One trend noted in this study is the overabundance of generalizations in the media concerning the "so-called" self-fulfillment movement. Students with a self-fulfillment orientation may hold the key to the next "national personality", but, like all major social changes, they are building on family values from the past. Rather than subjugating long-held social values and norms by placing self-fulfillment first, members of the self-fulfillment group were more likely to be working while attending college. Like early American families, they valued hard work.

Almost one-half of the students surveyed equated money with security and over one-third felt that money symbolized comfort. With money symbolizing security to them, it seems logical that almost three-fourths of the students should perceive income as the prime gauge of success.

The implicit value for education in American society is reflected by all the students in the study. The fact that they were in college would tend to abet this conclusion. The self-fulfillment group mirrored this point to their perception as to why some persons encounter serious indebtedness. The self-fulfillment group was more likely to attribute such financial difficulties to a lack of knowledge about money than to personal characteristics. This point of view seems to demonstrate a belief that their economic future can be improved through knowledge.

A note of optimism is also present in both groups as to their economic future. Almost three-fourths of all the students felt secure in their appraisal of their economic future. Given the almost daily negative pronouncements about the economy, it would seem that these students had a large degree of confidence in the financial world that awaits them.

The findings in this study suggests that the characteristics often attributed to the "self-centered generation" (7,9) do not threaten traditional values and convention. If anything, self-fulfillment as an orientation appears to foreshadow the continuation of the basic institutions in American society. Rather than representing a conflict of ideals, self-fulfillment as a personal value seems to be a time-enduring thread in the complex economic fabric of American life.

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GROUP BEHAVIOR IN BRAND CHOICE SITUATIONS:  
AN EXPERIMENT IN CONSUMER INFORMATION ACQUISITION

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Abstract

The effects of brand name availability, decision making unit, and product type on the depth and sequence of information acquisition and post-decision subjective states were studied using a behavioral process methodology. Information acquisition was found to be affected by all three independent variables, while post-decision subjective states were found to be mainly a function of product type.

The interdisciplinary status of consumer behavior research and theory is nowhere more evident than in the recent development and rapid growth of the "consumer information processing" (CIP) perspective in the field (17). The CIP perspective focuses not only on what purchase decision a consumer makes, but also on the process that consumer goes through prior to making a particular decision. A major part of this process is the acquisition and processing of information about the purchase alternatives available to the consumer.

Two major foci of theory and research in consumer information acquisition have been on: (1) Information depth (i.e., how much information do consumers choose prior to purchase?) and (2) Information content (i.e., what types of information do they choose?). Answers to these questions continue to have important implications not only for social and behavioral scientists, but also for marketing practitioners and for those who wish, through governmental regulatory policy, to influence the nature of consumer information environments (1, 2).

Unfortunately, the CIP perspective shares the individualistic bias so prominent in the behavioral and social sciences (18, 21). That is, the explicit or implicit unit of analysis in the CIP perspective is the individual information gatherer and processor. Dyadic or higher-order social processes (e.g., husband-wife, family) are assumed to be simply an additive function of the individual activities or, more commonly, are totally ignored (4).

As the number of studies of consumer information acquisition within the CIP perspective has grown, an increased awareness and appreciation of the processual nature of consumer behavior has developed. One consequence of this awareness has been the development and use of a "behavioral process methodology" in which a consumer's information acquisition activities are allowed to unfold in the laboratory as ongoing, dynamic events (11). Such a methodology seeks to replace long domi-

nant static approaches such as large scale surveys, post hoc verbal reports, and "as if" verbal reports (12). Recently a "process-oriented" experimental paradigm has been developed utilizing information display boards (IDBs) to study how consumers acquire and process information prior to making a purchase decision (11, 13). In this research paradigm, IDBs allow consumers to choose as much or as little information as they wish prior to making a purchase decision. Further, the IDBs allow the researcher to record the amount, content, and sequence of information chosen by the consumer.

This paradigm represents a major theoretical and methodological advance through its explicit recognition of the processual and constructionary nature of consumer information acquisition. However, studies conducted thus far using this paradigm share a common shortcoming: they all measure the information acquisition activities of a lone consumer, not that of two or more consumers in interaction. This paradigm has yet to be used to study the consumer information acquisition activities of married couples, families, or households, despite repeated calls for consumer behavior theorists and researchers to begin using such social units of analysis (4, 6). The present study extends the behavioral process paradigm into the realm of group consumer decision making: in addition to individuals, the information acquisition activities of "ad hoc" two person groups and "intact" two person groups (married couples) are recorded and analyzed.

Hypotheses

Small group decision making research indicates that, when the decision task is the type used in the present study, group decisions tend to be superior to decisions made by individuals working alone (10, 19). These findings, together with Moore and Anderson's (16) finding that individuals and groups do not differ in the amount of information they acquire in a decision-making task, indicate that the superiority of group decisions may be accounted for by more thorough processing of the same amount of acquired information. In predicting differences in information acquisition between ad hoc and intact groups, it is useful to consider Zelditch's (22) view that ad hoc groups produce "simplified" decision processes which evoke more public "working out" of the decision and, by implication, involve more information acquisition and processing than would be evident in intact groups (e.g., married couples). Thus,

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Hypothesis 1 states that both ad hoc dyads and individuals will acquire more information than will married couples.

While family and small group researchers have not systematically employed information acquisition as a dependent variable, some research in individual consumer information acquisition has been done. This research suggests that the presence of brand name information in the available information array tends to decrease the total amount of information that individuals examine (14). This finding has been attributed to the apparent fact that brand name, at least for some products, is an information "chunk." As such, brand name is presumed to convey several "bits" of information to the consumer. The "principle of information processing parsimony" (9) predicts that individuals (and we would extend this to all decision making units) attempt to acquire and process as little information as possible prior to making a decision. The significance of information chunks lies in the relatively wide range of meaning they convey, making acquisition of large amounts of additional information unnecessary or redundant (15, 20). In the present study, consumer product information arrays with and without brand name information were presented. Since brand name has been suggested as one type of information that serves this chunking function (14), Hypothesis 2 predicts that consumers will select a smaller proportion of available information when brand name is available than when it is not available.

In addition, depth of information acquisition is predicted to vary directly with degree of perceived importance, risk, and/or uncertainty of the decision and with the degree of commitment of resources and commitment to a course of action. Price and durability have been identified as important indicators of these decision characteristics. That is, price and durability have been assumed to be positively correlated with consumer perceptions of risk, uncertainty, importance, and commitment (3, 7, 8). Thus, Hypothesis 3 states: Consumers will choose a larger proportion of the available information for expensive, durable products than they will for inexpensive/non-durable products.

If brand name is an information chunk for consumers, i.e., if it is richly meaningful to them, then it presumably is helpful in making an efficient decision. To the extent that consumers value efficient decision making, they should value the presence of brand name in the information array and feel more positively about their decision when brand name is available. In the present study, a number of post-decision measures of consumers' feelings about the decision task and their actual decision were gathered via a post-experimental questionnaire. Hypothesis 4 states: Consumers will report more satisfaction, more certainty, and less confusion when brand name is available than when it is not available.

Since information chunks consist of familiar and related bits of information and are themselves familiar units, only that information with which people are familiar, with which they deal with some regularity, will be likely to be processed in a chunk format. In the present study, consumers were presented with information on four products. Two of the arrays contained information on brands for which consumers have a relatively high awareness and familiarity; the two remaining arrays contained information on brands for which consumers have a relatively low awareness and familiarity. The more "meaningful" a given brand name is to the consumer, the more likely it is to serve a chunking function. When brand name information is available in an array, its selection by a consumer is a reflection of its perceived utility and importance in decision making (14). Thus, Hypothesis 5 predicts that brand name information will be chosen earlier in the choice sequence for high brand awareness/familiarity products than for low brand awareness/familiarity products. The same reasoning leads to Hypothesis 6: Brand name information will be chosen more often for high brand awareness/familiarity products than for low brand awareness/familiarity products.

#### Method

The hypotheses described above were tested in a 2 (brand name, manufacturer name available/unavailable) x 3 (individual/ad hoc dyad/married couple) x 4 (toothpaste/19" color television/vitamins/hide-a-bed sofa) between-within cases experimental design. Sixty-four males and females were paid \$2.50 each for their participation in a "Consumer Behavior Study." During the main part of the experiment, participants were asked to imagine that they were shopping for a particular product and were asked to make a purchase decision from among four alternative brands. All participants acquired information on the four brands from "information display boards" and all made purchase decisions for all four products (presented in random order). Dependent measures included depth and sequence of information acquisition, and participants' responses on a brief post-decision questionnaire.

#### Apparatus

The present study simulated consumer decisions through the use of four information display boards (IDBs). One IDB was constructed for each of the four test products used in the study. Each of the boards was designed to display information on four brands (down the columns) and up to 12 information dimensions (across the rows). Thus, each board could contain up to 48 information values. Consumers in the study acquired the information values for all four available brands on any given information dimension simply by removing a strip of black posterboard covering the values on that particular dimension.

Four products were chosen to fill the cells of a 2 x 2 table, whose marginals consisted of price/durability (low, high) and brand awareness/familiarity (low, high). Based on the results of a small-scale pilot survey ( $n=45$ ), toothpaste was chosen as the inexpensive/nondurable, high brand awareness/familiarity product; 19" Color Television as the expensive/durable, high brand awareness/familiarity product; Vitamins as the inexpensive/nondurable, low brand awareness/familiarity product; and Hide-a-bed Sofa as the expensive/durable, low brand awareness/familiarity product. Four brands for each test product were chosen. All brands used were real and were actually available in the local market area at the time of the study.

### Subjects

All participants in the study as individuals ( $n=16$ ; eight male, eight female) or as members of ad hoc dyads ( $n$  of dyads = 12) were undergraduates enrolled in Introductory Sociology or Introductory Social Psychology. Participants were selected from a pool of volunteers solicited at the beginning of the semester and were randomly assigned to the individual or the ad hoc dyad condition. Married couples ( $n$  of couples = 12) were solicited for participation in the study through an advertisement placed in the local student newspaper. In all cases used in the study, at least one partner was an undergraduate student. These participants filled the six cells of the 2 x 3 between-cases design. Each cell contained either (a) four male and four female individuals, (b) six cross-sex dyads, or (c) six married couples. All 48 cases (individuals, dyads, or couples) were randomly assigned to brand availability conditions.

### Results

The data used to test Hypotheses 1-5 were initially analyzed via the separate between-within analyses of variance (ANOVA) reported in Table 1. A posteriori pairwise contrasts utilizing Scheffe's procedure were performed on those means for which significant  $F$ -statistics were found. Mean values on the five dependent measures across Decision Unit, Brand Name Availability, and Product Type conditions are presented in Table 2.

Hypothesis 1 predicts a decision unit main effect, with mean information depth greater for individuals and ad hoc dyads than for married couples. While the ANOVA produced the predicted decision unit main effect (Table 1), an examination of the means indicates that, contrary to prediction, ad hoc dyads selected significantly more information than did individuals. Further, while married couples selected less information than combined ad hoc dyads and individuals, this difference did not attain statistical significance (Table 2).

In order to clarify the interpretation of the decision unit main effect, a nominal group analysis was performed (10, 19). Nominal group analysis distinguishes "true group effects" (individual-group performance differences due to the nature of the group interaction) from "simple group effects" (individual-group performance differences due to the mere conjunction of a number of individuals) by statistically combining individuals who in fact performed along. As with the analysis reported above, the nominal group between-within three-way ANOVA produced a significant decision unit main effect,  $F(2, 93) = 3.39, p < .05$ . However, the mean percentages of information chosen (nominal groups 80.4%; couples 67.1%; dyads 80.4%) indicate that the information depth difference between ad hoc dyads and individuals disappears when individuals are replaced in the analysis by nominal groups. Further, the information depth difference between nominal groups and married couples is now in the predicted direction, and based on Scheffe's procedure, these means are significantly different ( $p < .05$ ).

Hypothesis 2 predicts a brand availability main effect, with mean information depth lower when brand name is available than when it is unavailable. The ANOVA produced the predicted brand availability main effect (Table 1). Significantly more information dimensions were chosen when brand name was not available than when it was available (Table 2).

Hypothesis 3 predicts a product type main effect, with mean information depth greater for expensive/durables than for inexpensive/nondurables. The ANOVA produced the predicted product type main effect (Table 1), indicating a significant difference between one or more pairs or sets of means. Non-pairwise a posteriori contrasts, using Scheffe's procedure, were performed to test the hypothesis that the two expensive/durable products produced greater information depth than the two inexpensive/nondurable products. The results of Scheffe's procedure confirm Hypothesis 3. Information depth is significantly greater for expensive/durables than for inexpensive/nondurables (Table 2).

Hypothesis 4 deals with consumers' reported post-decision feelings about the task and their actual decisions. Since each member of a dyad or couple separately completed the post-experimental questionnaire, the two responses had to be recoded into the dyad's satisfaction, the couples' satisfaction, etc. This was accomplished by simply computing the mean reported satisfaction, certainty, etc., for each dyad and couple. These mean post-decisional ratings, along with those of individuals, were used to test Hypothesis 4, which predicts a brand name availability main effect, with consumers reporting more satisfaction, more certainty, and less confusion with their decision when brand name is available than when it is

TABLE 1. Summary Analysis of Variance Data (F Scores)

| Source of Variation <sup>1</sup> | d.f. | Information Depth | Satisfaction | Certainty | Confusion | Brand Name Rank in Sequence |
|----------------------------------|------|-------------------|--------------|-----------|-----------|-----------------------------|
| Decision Unit                    | 2    | 4.02**            | 1.38         | 1.97      | 3.01*     | 0.02                        |
| Brand Name Availability          | 1    | 17.17***          | 6.07**       | 2.37      | 0.05      | n.a.                        |
| Error                            | 36   |                   |              |           |           | (18 df)                     |
| Product Type                     | 3    | 10.39***          | 8.50***      | 14.17***  | 11.02***  | 3.64**                      |
| Error                            | 117  |                   |              |           |           | (45 df)                     |

<sup>1</sup> Since interaction effects produced no significant F-values for any of the interaction terms, the interaction SSs were combined with the Error SSs, producing a more powerful ANOVA test for main effects.

\*p < .10

\*\*p < .05

\*\*\*p < .001

TABLE 2. Mean Values on Dependent Variables by Decision Unit, Brand Name Availability, and Product Type

|               |                               | Information Depth <sup>1</sup> | Satisfaction | Certainty <sup>3</sup> | Confusion <sup>4</sup> | Brand Name Rank in Sequence <sup>5</sup> |
|---------------|-------------------------------|--------------------------------|--------------|------------------------|------------------------|------------------------------------------|
| Decision Unit | Individuals (64) <sup>6</sup> | 63.6**                         | 5.81         | 5.19                   | 4.41*                  | 3.00 (25)                                |
|               | Couples (48)                  | 67.1                           | 5.86         | 5.89                   | 5.26*                  | 3.15 (20)                                |
|               | Dyads (48)                    | 80.4**                         | 5.75         | 5.18                   | 5.13                   | 3.45 (20)                                |
| Brand Name    | Available (80)                | 59.3***                        | 5.98**       | 5.64                   | 4.91                   |                                          |
|               | Unavailable (80)              | 80.1***                        | 5.24**       | 5.14                   | 4.84                   |                                          |
| Product Type  | Inexpensive (80)              | 63.9***                        | 5.96***      | 5.84***                | 5.36***                | 2.50** (34)                              |
|               | Expensive (80)                | 75.5***                        | 5.26***      | 4.95***                | 4.42***                | 3.94** (31)                              |
|               | High Awareness (80)           | 67.1                           | 5.81         | 5.69**                 | 5.34**                 | 2.27** (33)                              |
|               | Low Awareness (80)            | 72.3                           | 5.41         | 5.10**                 | 4.42**                 | 4.13** (32)                              |

<sup>1</sup> Mean Percentage of Available Information Chosen

<sup>2</sup> Mean Reported Satisfaction: 7 = very satisfied, 1 = very dissatisfied

<sup>3</sup> Mean Reported Certainty: 7 = very certain, 1 = very uncertain

<sup>4</sup> Mean Reported Confusion: 7 = not confused at all, 1 = very confused

<sup>5</sup> Mean Rank of Brand Name in the Choice Sequence

<sup>6</sup> Number of observations in parentheses.

\*Pairs of means differing at the .10 level of significance.

\*\*Pairs of means differing at the .05 level of significance.

\*\*\*Pairs of means differing at the .001 level of significance.

unavailable. Three separate between-within three-way ANOVAs produced the predicted brand name availability main effect for satisfaction, but not for certainty or confusion, partially confirming Hypothesis 4 (Table 1). Significantly higher satisfaction was reported when brand name was available than when it was unavailable (Table 2). In addition the ANOVAs produced a product type main effect for satisfaction, certainty, and confusion (Table 1). Non-pairwise *a posteriori* contrasts, using Scheffe's procedure, indicated that reported satisfaction and certainty were significantly higher and confusion was significantly lower for the inexpensive/nondurables than for the expensive/durables. Further contrasts revealed that certainty was significantly higher and confusion significantly lower for high than for low brand awareness/familiarity products (Table 2).

Hypothesis 5 predicts that brand name information will be chosen earlier in the choice sequence for high brand awareness/familiarity products than for low brand awareness/familiarity products. In order to test this hypothesis, the mean rank of brand name in the choice sequence was calculated for the high brand awareness/familiarity vs. the low brand awareness/familiarity products. Brand name information was selected in 65 of the 80 (20 cases  $\times$  4 products) brand name available observations. These 65 observations were initially analyzed via between-within two-way ANOVA which produced the predicted significant product type main effect (Table 1). Non-pairwise *a posteriori* contrasts, using Scheffe's procedure, were performed to test the hypothesis. The results of Scheffe's procedure confirm Hypothesis 5: the mean rank of brand name in the choice sequence was significantly higher for high than for low brand awareness/familiarity products (Table 2). In addition, Scheffe's procedure indicated that brand name was chosen significantly earlier for inexpensive/nondurables than for expensive/durables.

Hypothesis 6 predicts that brand name information will be chosen more often for high brand awareness/familiarity products than for low brand awareness/familiarity products. In order to test this hypothesis, the sum of the brand name information dimensions chosen by decision making units was computed. These sums were computed separately for high and low brand awareness/familiarity products (sums = 33 and 31 dimensions respectively). Since brand name information was available only to decision making units in the brand name available condition, only 80 observations were analyzed. In order to test Hypothesis 6, the 80 observations were divided into two samples matched on product price/durability. Each of the high brand awareness/familiarity products (toothpaste and television) was matched with its low brand awareness/familiarity counterpart (vitamins and hide-a-bed) within each case. Each of the 20 cases then consisted of two pairs of

matched observations on the dependent variable: brand name dimension chosen/not chosen. Since it is possible to rank the matched observations with respect to each other, the Sign test was employed to test the significance of the differences between the high brand awareness/familiarity and the low brand awareness/familiarity samples. The Sign test produced a *p* value of .377, *n.s.*, thus disconfirming Hypothesis 6. While consumers did choose brand name information earlier for high brand awareness/familiarity products (thus confirming Hypothesis 5), they did not choose such information more often (disconfirming Hypothesis 6).

## Discussion

As predicted, individuals (when randomly paired into nominal groups) and *ad hoc* dyads chose significantly more information than did married couples. This finding is consistent with that of Moore and Anderson (16) and with the view that consumer decision making by married couples will involve less public "working out" of the decision and thus less information acquisition (22). This finding also supports the contention that superior group decisions are likely to be a function of more information processing rather than more information acquisition. Further research is needed in order to explain why only when individuals are not paired into nominal groups is the amount of information they acquire significantly lower than that acquired by *ad hoc* dyads.

The present analysis does lead to the conclusion, in comparing individuals and groups, that interaction *per se* does not necessarily make an important difference in the depth of information acquisition. It is not appropriate to assume that group information acquisition depth will differ from that of individuals simply because the information is acquired by a group rather than by individuals. However, the nature of the group does appear to make a difference in the depth of information acquisition. Whether this difference is a function of differential interaction patterns awaits further act-by-act content analysis. What is clear is that the content of the interaction, in terms of the number of information dimensions acquired and available for processing, does vary across *ad hoc* and intact groups. This finding is important in that it vindicates those small group researchers who have been concerned about generalizing findings from *ad hoc* to intact groups. This is particularly important to consumer researchers interested in building models of husband-wife consumer decision making which are based, at least in part, on the body of knowledge created by small group researchers (e.g. 5).

The major prediction that the availability of brand name in the array would produce lower information acquisition depth was confirmed. It does appear that brand name served a chunking function,



i.e., its presence in the array conveyed considerable additional information and negated the need for large amounts of additional information. The findings of the present study extend the evidence for information chunking to social decision making contexts. Not only does brand name decrease information acquisition for individuals, but also for both ad hoc and intact dyads. This opens up an entirely new set of questions for researchers. For instance, there are questions about how and under what circumstances chunk information is transmitted from one member of a decision making unit to another.

While it does appear that brand name serves a chunking function, the expected attenuation of this effect in low brand awareness/familiarity products (Hypotheses 5 and 6) was not supported unequivocally. Consumers did not choose brand name information more often for high brand awareness/familiarity products. This apparent inconsistency may simply reflect the surprisingly strong chunking function of brand name, i.e., brand name information may have been perceived as a potential information chunk for the low brand awareness/familiarity products. However, brand name information was chosen earlier for high brand awareness/familiarity products. Perhaps consumers use brand name information for high brand awareness/familiarity products in an "early elimination" phase of decision making to exclude some unacceptable brands from further processing, thus increasing decision making efficiency (2).

As predicted, the presence of chunk information (brand names) in the array led consumers to express more positive sentiments about their decisions (Hypothesis 4). Assuming that consumers desire to be parsimonious in their information processing, it is wholly consistent that this chunking function should produce greater satisfaction with the decision and less need for additional information.

As predicted, information acquisition depth was significantly greater for expensive/durables than for inexpensive/nondurables. In addition, product type affected consumers' reported post-decision subjective states. Expensive/durable products produced reports of significantly less satisfaction, less certainty, and more confusion than did inexpensive/nondurables. Despite the fact that they acquired more information, consumers were clearly less happy with their decisions for expensive/durables than they were with their decisions for inexpensive/nondurables. Consumers may have felt that even the relatively high amounts of information they acquired for the expensive/durables was not high enough. This explanation is rendered somewhat implausible by the relatively small number of cases in which all information dimensions were chosen. If consumers' relative disappointment with their brand decisions for expensive/durables was not due to quantity, it may have been due to perceived infor-

mation quality, especially given the importance of the decision. The nature of this quality deficiency can be determined with further analysis.

### Conclusion

In addition to pointing out several areas in which further research is needed, the present study has some more direct implications for consumer policy makers and marketers. The first concerns the observation that married couples acquire less information than either individuals (when paired in nominal groups) or ad hoc dyads. If this preliminary finding is replicated in other studies, policy makers and marketers may wish to vary the amount of information made available to these market segments.

Second, the findings of the present study highlight for consumer policy makers the phenomenal success marketers have had in promoting brand name information into information chunks. Those proposing regulations or legislation requiring marketers to supply additional information to consumers might wish to be cognizant that the most effective use of the information can be made by consumers when they can easily accommodate the new information into preexisting brand name chunks. Information which cannot be easily accommodated is likely to be quickly lost. Thus, one of the thrusts of future policy-oriented research might be to evaluate various information presentation formats in terms of the degree to which they are compatible with consumers preexisting chunks.

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RHYTHMS OF CHANGE: SOCIETAL MOVEMENT,  
CONSUMER EDUCATION AND META ISSUES

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Abstract

The purpose of this paper is:

- (1) to identify and discuss the fundamental societal movement in America from an industrial society to a post-industrial society,
- (2) to present a typology of consumers and consumer values which are consistent with the past realities of our industrial age and the projected realities of our fast approaching post-industrial age,
- (3) to link societal change and its impact upon consumers to consumer education,
- (4) to present a taxonomy of changing consumer behavior consistent with the analysis presented and,
- (5) to identify some new consumer issues that transcend those classically stemming from an analysis of consumer rights and relevant to the societal movement identified in this discussion.

The Post-Industrialization of the American Consumer

In the American experience, the educational system and economic system appear strongly linked. We are a pragmatic people with a strong faith in education as a social equalizer and as the foundation for a productive economy. During our long agricultural age, say through most of the 19th century, our schools concentrated on developing functional literacy in citizens of diffuse origins. Since all nations begin economically as agricultural producers, applications of knowledge first centered upon increasing agricultural output. Land grant universities were chartered in each state. As the farms became more productive, labor was released and aggregated in the villages and towns. The key to industrialization was the American ability to release labor from agriculture and combine it with the natural wealth of the country to create non-farm productive capital for development of the cities. America's industrial age, beginning in the late 19th century and lasting into the 1960's, caused tremendous changes in our educational system. Professional schools, including business and engineering, emerged at land grant colleges alongside agricultural schools. Americans increasingly took agricultural production for

granted and began to perfect mass production techniques which were soon to provide a material standard of living far beyond the imagination of almost anyone. The late 1950's gave us two and one-half ton automobiles with tail fins, suburban housing attainable by working class consumers and such time-saving marvels as electric toothbrushes. And our educational system concentrated upon preparing people to earn the wealth necessary to become the affluent consumer so vital to an expanding industrial age.

As we entered the 1960's, the hallmarks of a post-industrial society began to emerge, including the all important shift of more than 50% of the labor force into the production of services (Bell, 1973). For the first time in our history, service workers (banking, trade, transportation, etc.) outnumbered agricultural and industrial workers combined. This trend has continued during the 1970's, accompanied by a truly astounding number of socio-economic changes. But our educational system, on the whole, has not kept pace since it has not addressed the functioning of Americans as economic beings in a holistic fashion. We must balance the education of our people for the efficient production of wealth with education for the efficient and responsible consumption of wealth. This is the challenge of consumer educators within the consumer movement as a variety of economic, social, political and technological forces reshape the environment in which consumers will function.

Astounding Changes in the American Economy

As we left our industrial age, we also left an economic era characterized by the cowboy mentality (Boulding, 1966) of a self-assured, productive, well-tuned society which had spawned an array of consumer goods almost beyond imagination. Berry (1980) says

The evidence is becoming compelling that a number of economic realities characterizing the post World War II era have ended, including

- low inflation;
- low cost energy;
- solid and continuing growth in GNP;
- fast-rising population;
- high consumer confidence;
- general assumption of abundant resources;
- freedom of land use; and
- "no questions asked" technology.

These economic realities, which demonstrated a remarkable degree of continuity between 1947 and 1973, are...being replaced by a more sobering set of realities...

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<sup>2</sup>The author wishes to acknowledge partial research support for this article from the College of Agricultural and Life Sciences, University of Wisconsin and by USDA-SFA Hatch Project #2247.



- higher inflation;
- higher-cost energy;
- lower real growth in GNP;
- erosion of consumer confidence;
- growing entanglement of resource availabilities with international politics;
- uncertain capital availability; and
- a growing ethic of resource conservation and environmental protection.

When we consider that Berry's inventory of changes have occurred before our very eyes during the last decade, we must conclude that the American consumer's change from industrial age consumer to post-industrial age consumer will be as dramatic as our economy's change from Boulding's "cowboy" to "spaceman" model. And we can clearly also conclude that if the economy and consumers change dramatically, so must consumer education.

#### A Typology of Consumers

To best understand the relationship of economic change to consumer education in the American experience a typology of consumers which conceptually spans the 20th century and moves toward the 21st will be helpful (Stampfl, 1978A, 1981A). For convenience sake, three types of consumers can be characterized, although descriptions, distinctions, and datings to be utilized will seem more absolute than they are intended to be, and with exceptions to the generalizations often present.

The industrial age consumer typically reached adulthood between 1920 and 1960. As such, he was socialized into seeking what has been called "the American Dream," stressing ownership of material possessions, private dwellings and transportation, convenience, and relatively small nuclear families. Acceptance of a "more is better" life orientation served the nation well as resources of all kinds were thought to be unlimited. Many Americans still function primarily on consumer values learned early in their lives and reinforced through the middle 1960's by most occurrences in the recent American economic experience. The industrial age consumer is primarily job oriented, thinks little of the impact of his own consumption upon society or the environment, and is oriented toward solving consumer problems by earning more money so that he will be able to spend more money.

The transitional consumer reached or will reach adulthood between 1960 and perhaps 1990. This consumer, socialized in his early years by parents and teachers holding primarily industrial age consumption values, is making most of his early adulthood consumption decisions in an era characterized by inflation, materials shortages, pollution problems, energy crises, and changing views of government regulation of the marketplace. He/she is finding old values in conflict with new societal imperatives and may have ambi-

valent feelings regarding the proper course of action in consumption decisions. The transitional consumer is torn between the wants stimulated by industrial age marketing mechanisms and the oughts supportive of societal/environmental concerns. Therefore, the decisions of transitional consumers will at times be similar to industrial age consumers and at other times will anticipate the dominant value profile and behavior patterns of post-industrial age consumers. Transitional consumers are equally concerned with their job and efficient consumption decisions but seldom concern themselves with the social consequences of their economic actions.

The post-industrial age consumer will reach adulthood sometime after the year 1990. As such, these individuals will be socialized primarily by adults who are transitional consumers. Although these adults may behave in either mode, they will emphasize values stemming from post-industrial age socio-economic imperatives in their formal training of the children. (It is an axiom of parenting and teaching that one should prepare youth for the future.) It would appear that sometime after 1990, the values and behavior patterns of the transitional consumer and post-industrial consumer will become dominant and thereby self-reinforcing. The post-industrial consumer's primary concern will be with efficient and responsible consumption. These consumers will be confident that the agricultural sectors and industrial sectors of the economy will continue to function without much attention from them just as most consumers today are confident that the agricultural sector is stable. Post-industrial consumer will realize that saving a marginal dollar through efficient consumption is superior to earning a marginal dollar of income (due to the tax effect) and will insist upon buying only those products supportive of the ecosystem in which they live. Disposable packaging, 15-mile-per-gallon cars and industrial pollution of rivers and lakes will seem as fully out of place in post-industrial America as non-rotation of crops or the absence of penicillin would seem to the industrial age consumer.

#### Consumer Behavior in a Post-Industrial Age

At the heart of the behavior of human beings as consumers is the personal value structure each person holds. Due to the fact that consumers function in the same general social, economic and political environment at any one point in time, it can be expected that value profiles consistent with these environments could be drawn for large number of consumers. Exhibit I indicates the basic consumption related value profiles of industrial age consumers and post-industrial age consumers (also see Stampfl, 1978A, 1981A). The value profiles of transitional consumers are somewhat unstable, since these individuals were socialized one way but realize they must change and learn to act in another way. As we approach the next century, however, increasing movement toward post-indus-



EXHIBIT I: Consumer Value Profiles

| The Industrial-Age Consumer                                           | The Post-Industrial-Age Consumer                                |
|-----------------------------------------------------------------------|-----------------------------------------------------------------|
| 1. Consume as much as you can                                         | 1. Consume as much as you need                                  |
| 2. Disposable/throwaway orientation                                   | 2. Recycling and conservation orientation                       |
| 3. Maximize convenience, with little regard to cost                   | 3. Assess cost of convenience and forego if cost/benefit is low |
| 4. Non-functional changes (fashion) relatively important              | 4. Non-functional changes relatively unimportant                |
| 5. Ownership important                                                | 5. Use important                                                |
| 6. Little or no concern for external or social costs of products used | 6. Great concern for external and social costs of products used |
| 7. Emphasis upon growth and quantity                                  | 7. Emphasis upon stability and quality                          |
| 8. Consumerism as a fringe value                                      | 8. Consumerism as a central value                               |

trial values will be apparent in the population at large. (The reader is encouraged to consider the apparent changes in this direction which have occurred in the 1970's alone.)

The industrial age consumer held values necessary at that time to the development of America as an industrial power. The marketing system created and/or cultivated values supportive of the economy at that time. Since many of the vice-presidents still in charge of marketing in our nation's major industrial firms today were raised with industrial age values, it is easily understood why our marketing system seems slow at times in responding to new economic realities and why it is possible for consumers to still cling to or at least be tempted by outmoded appeals.

The classic industrial age consumer truly subscribes to consuming as much as possible. The American dream of the past included nine passenger station wagons and four bedroom homes even though typical families had fewer than three children. This consumer threw away many items after a single use and the notion of throw-away clothing was even considered. Convenience was a marketing loadstone with convenience food dominating our supermarkets, service stations on every corner selling 30¢ per gallon gasoline, supermarkets almost as plentiful, and stores open seven days a week, with extended hours and 72° controlled temperatures no matter what the weather conditions. Non-functional changes in products kept our factories operating. Last year's avocado green refrigerator was proclaimed obsolete and this year's harvest gold was considered better (with self-dispensing ice water!). Women's hemlines were still of one

length, necessitating frequent wardrobe changes. Product life cycles were planned to be short so that new products could be introduced. Each family wanted to own all the artifacts of the good life (homes, boats, dishes, T.V.'s, snowmobiles, appliances, etc.) and recoiled at the idea of sharing with other families. Industrial-age consumers used paper and steel products without ever considering what impact their production might have upon the environment in which they lived or would leave for the generations to follow. As long as GNP grew each year, consumers felt assured they were better off. Growth, quantity and goodness were thought synonymous. Consumerism was a radical idea practiced by troublemakers, almost un-American.

The post-industrial age consumer, on the other hand, will hold values much more in line with the economic realities of a changed world. Such values are already clearly apparent in growing numbers of transitional consumers. Such individuals consume what they typically need and provide for occasional variations with dual purpose products (e.g., smaller homes with sofa beds) or the rental of the large car or truck needed once per year. Post-industrial consumers recycle wherever possible, even when industrial age marketing techniques puts them at a disadvantage (e.g., throwaway bottles on sale at a lower price than returnables). For them convenience only counts when it is cost-effective and environmentally supportive. Product life cycles are extended (remember the annual model change in autos?) to the functional life of the product, as determined by state-of-the-art technological advances. Prestige and pleasure is derived by post-industrial consumers from product usage, not ownership (e.g., time-shared

## EXHIBIT II: Characteristics of Consumer Education Across Time

## Characteristics of

| Industrial Age Consumer Education                                                          | Post-Industrial Age Consumer Education                                                                                                      |
|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Fragmented Perspective                                                                  | 1. Holistic Perspective                                                                                                                     |
| 2. Static, point-in-time view                                                              | 2. Dynamic life-spanning view                                                                                                               |
| 3. Personal values unrecognized as central to behavior                                     | 3. Personal values seen as underlying consumption behavior                                                                                  |
| 4. Emphasis upon micro-sensible behavior based upon "coping" and "buymanship" orientations | 4. Balance between micro-sensible and macro-responsible behavior based upon integrated understanding of consumer, producer and citizen role |
| 5. Philosophical emphasis upon consumer rights                                             | 5. Philosophical balance between consumer rights and responsibilities                                                                       |
| 6. Passive consumer learning common                                                        | 6. Active consumer learning common                                                                                                          |
| 7. Purchase skills emphasized in acquisition of physical products                          | 7. Purchase skills generalized to product and service acquisition; complaining, negotiation, and decision making skills also stressed       |
| 8. Money seen as primary resource to be allocated                                          | 8. Money, time, personal energy recognized as interchangeable resources which must be allocated.                                            |

vacation condominiums) and the impact on our environment is routinely considered by them in all products utilized. Also, such individuals no longer tie their future aspirations to economic growth, but rather seek economic stability (e.g., a job with minimal geographic transfers, an economy with low inflation, etc.). Quality in products purchased is preferred to quantity possessed. And consumer rights are known to nearly all with ordinary citizens being highly proficient in obtaining them. The post-industrial marketplace is truly more balanced with buyers and sellers meeting on a more equal footing.

## Consumer Education: Past Emphasis and Future Directions

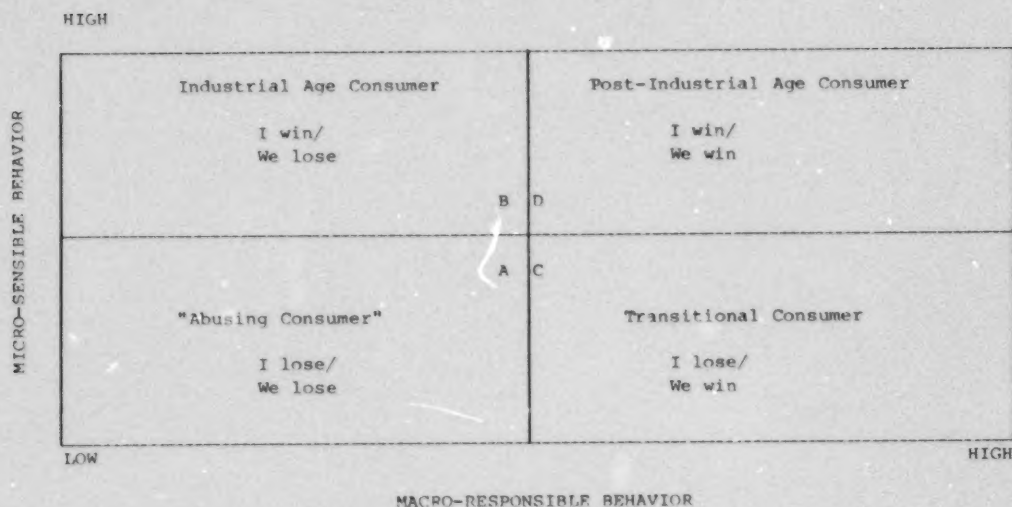
Table II illustrates and contrasts some of the characteristics of consumer education--past and future. During our industrial age, consumer educators seemed to separate our role as a consumer from our roles as producers and economic citizens. A static point-in-time view of consumer education was taken with a delivery system centering upon a course in high school. Personal values were typically not seen as central to behavior. Instructional emphasis was placed upon teaching consumers to act in micro-sensible ways (e.g., ranging from the primitive caveat emptor to prescriptions to buy those items with the lowest unit price, compare A.P.R. rates among lenders or buy the least expensive gaso-

line your car will function on) based upon coping and buymanship orientations. A philosophical emphasis based upon consumer rights emerged late in our industrial age and became a touchstone of maximum importance. Passive (low involvement) learning in the marketplace was commonly exhibited by consumers through their tendency to absorb information from marketer dominated sources and to become pre-sold (or brand loyal) before entering the marketplace. Consumer educators of this era emphasized acquisition skills particularly as they applied to physical products. Money was seen as the primary resource to be allocated by consumers and earning more money was thought by most consumers--and some ~~some~~ educators--as the proper solution to most consumer problems.

As American society moved toward a post-industrial condition, new characteristics began to emerge and it seems clear that consumer education in the future will be holistic in nature, integrating the consumer, producer, and economic citizen roles of a person into a systemic conceptualization that will permit a personal understanding of one's total impact as an economic being. Dynamic, life spanning views of consumer education have been suggested (Stampfl, 1978B and 1979A) which stress consumer educational needs over time, at transition points and utilize teachable moments for maximum impact. Personal values are being recognized as the roots of individual behavior and as implying a

# EXHIBIT III

## A Taxonomy of Changing Consumer Behavior\*



| Type    | Description                                     | Example                                                                                                         |
|---------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| TYPE A: | LOW: Micro-sensible<br>LOW: Macro-responsible   | Smoking in a restaurant - abuses personal health, health of others and environment                              |
| TYPE B: | HIGH: Micro-sensible<br>LOW: Macro-responsible  | Using regular gasoline - saves me money; pollutes atmosphere with lead                                          |
| TYPE C: | LOW: Micro-sensible<br>HIGH: Macro-responsible  | Restricting credit use during inflation - delays my purchase but helps reduce demand - pull inflation pressures |
| TYPE D: | HIGH: Micro-sensible<br>HIGH: Macro-responsible | Time sharing of vacation home - saves me money and maintenance time while reducing resource demands             |

\*Based upon Stampfl 1981 "B."

hierarchy of choices and behaviors in the marketplace. Increasingly, consumer educators are attempting to balance a previous consumer rights orientation with a recognition of a consumer responsibilities obligation (Stampfl, 1980). Micro-sensible behavior will still be sought in the future, but consumer educators will help consumers consider how it must be constrained by macro-responsible considerations (Exhibit 3). Active consumer learning, involving decision making based upon real information (e.g., unit pricing, open dating, flammability standards, care labeling, credit information, nutritional labeling, gasoline consumption ratings, etc.) will replace passive learning. The post-industrial consumer educator will emphasize not only buymanship skills, but skills in decision-making, complaining, negotiation and social change.

In addition, the interchangeability of money resources with time and human energy resources will be emphasized.

### Consumer Meta Issues

Societal changes imply new issues for consumers. Consumer issues of our industrial past may be termed basic while those issues emerging in our post-industrial future may be termed meta (to transcend). Each may be defined as follows (Stampfl, 1981C):

Basic Consumer Issues: those issues which arise directly from an analysis of rights required by consumers to assure fair treatment in the marketplace and to permit micro-sensible behavior (e.g., unit pricing, nutritional labeling, safety warnings, etc.).



Meta Consumer Issues: those issues which transcend the questions of consumer rights and micro-sensible behavior and address the implications of macro responsible behavior in varied roles (consumer, producer, citizen) within the environments affecting consumption (economic, political, ethical, social, environmental and technological).

Consumer educators of the future must be prepared to help consumers deal with both types of issues but meta issues will move to center stage as consumers attempt to understand and deal with a much changed and highly complex environment. Below is an incomplete sampling of emerging meta issues for consumers:

(1) capital formation - previously thought to be a "business issue." But consumers must compete in the capital markets of the 1980's and beyond with business (for reindustrialization) and with government (for defense spending, program maintenance, etc.). Capital availability for home mortgages, car loans, etc. will be a major problem for consumers in the future.

(2) productivity - holistically educated consumers will recognize the interrelationships between worker, consumer and government productivity in the daily use of resources. But will agreement be possible on policies which encourage system-wide productivity?

(3) the international Banking System - How can it be restructured to remove pressure on the dollar and recycle the vast cash-flow of oil rich nations for the development of poor nations? If this is not accomplished, the dollar (that each American consumer holds) may collapse while poor nations increasingly turn to force to meet their needs.

(4) privacy - given the information explosion made possible by computers, how will consumers protect their privacy and assure themselves that privately held information about themselves is accurate?

(5) entitlements philosophy - which choice will consumers make when the limits of our resources come clearly into conflict with our humanistic philosophy that suggests all human beings are entitled to the basic necessities of life? Will we increase our giving to the poor of the world and thereby reduce our consumption? How far will we retreat regarding entitlement programs in our own society?

(6) real environmental choice - the recent emergence of nuclear wastes and toxic chemical dumps has made it clear that this generation of consumers stands at a true environmental crossroads. It is unlikely that any future generation of consumers will ever face a more perplexing dilemma. Our past "snail darter" environmental issues pale in significance when compared to the environmental risks that now must be weighed against the benefits of continued con-

sumption of toxic chemicals and high levels of energy.

(7) generational resource legacy - what shall the consumers of today leave for the consumers of future generations? If we have a 40 year supply of some resource, can we relax and use most of it up in our lifetime? Do we really want to inflict the burden of an unfunded social security system and a huge pension system on our children and grandchildren? (Should we count on them to willingly accept this intergenerational obligation?)

(8) the mortgaging of our socio/economic/political future through over-consumption - our energy consumption is forcing a transfer of wealth from our nation to other nations who do not necessarily share our social and political values. As they reinvest this money in America, they began to privately own our productive (capital) resources. If American business owners exploited consumers in the past, will foreign owners of American business be more sensitive?

(9) redefining the measures of quality of life - as consumers, we are part of a system that measures our output in only physical terms. How can we reflect clean air and water, equality for minorities and women and a safer marketplace in the measured output of our economy?

(10) trade and tariff policy - it seems the American citizen is helped as a consumer by imports but hurt as a worker. Can a fair policy be created and implemented?

It should be clear from this short list that the comparatively simple consumer issues of the past are being replaced by complex and, at times, seemingly intractable issues which must be understood by most if not nearly all adult consumers in our political democracy. In the end, of what value is a supermarket full of unit priced, nutritionally labeled foods in a society characterized by high inflation, low capital formation and labor productivity, and an environment contaminated by toxic and nuclear wastes? Clearly, consumer educators must add meta issues to their already long list of basic issues as they attempt to aid consumers in their understanding of "things consumer."

#### Conclusion

The previous analysis has demonstrated a relationship between economic and social changes in our society and the need for continued change in the methods, philosophies, content and issues of consumer education. The future will place a much larger burden upon the consumer educator.

Consumers will want to understand their complex, uncertain and technological world. They will ask for strategies and techniques for coping with their problems as economic beings across their life span. They will want to know how to



change those things that are unfair to them and to future generations.

As consumer educators we cannot respond to tomorrow's questions with yesterday's answers. But we can analyze social, political and economic movement and change today so that we will each understand the complex forces which are shaping the future. We can then begin--today--to seek tomorrow's answers to tomorrow's questions.

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TOWARDS AN ANALYTICAL BASE FOR  
CONSUMER POLICIES - PROGRAMS

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Abstract

This paper seeks to determine whether design of policies and programs for consumers at the local level could be more effective if social area contexts (neighborhoods) were consciously used as the targeting mechanisms for design and delivery in place of or along with traditional general personal attributes such as race, education, and income. Data analysis indicates that values people have about two consumer programs vary by neighborhoods almost as often as by SES. Neighborhood sensitivity in consumer research and policy-making promises true performance improvements.

Introduction

That there is a new federal attitude, and that funding patterns will shift for most social programs, including Consumer Programs, has been noted; and with wearisome frequency. The federal government, funder of state and local consumer rights, now believes its responsibilities should change and be reduced. Putting votes (and less of our money) where its mouth is, recent federal actions include:

- . cutting the CPSC budget from \$44 million to \$33 million, with the Commission eventually voting to fire nearly 20 percent of its 739 workers;
- . "re-evaluating" 130 consumer-oriented regulations;
- . funding the federal Office of Consumers' Education only through FY 82;
- . authorizing states to fund special education projects through block grants, with consumer education being only one of twenty-six eligible, competing categories.

One rationale of the "New Federalism" is that Washington is not the best judge of individual needs and desires. Accordingly, initiatives for consumer education, protection, and research should rest more with state and local agency decisionmakers as well as with individual businesses and consumers. That states and localities could be more familiar with their populations than the federal government, and can, therefore, design and implement programs which are more appropriate, beneficial and effective could be accepted. If accepted, however, what ways can be found to best re-orient consumer programs? Of paramount concern to consumer researchers might be the question, "How can states and localities be helped to know what consumer concerns are in their areas and to most effectively

distribute funds to meet those concerns?"

Micro level consumer policy research and analysis are needed to match this new climate and environment. The gnashing of teeth syndrome about lost funding and greater needs will not get consumer professionals or those most in need very far. What is required are new consumer research approaches with localized frameworks that can more accurately identify effective and acceptable alternatives for local decision-makers responsible for consumer-oriented policies and programs, ranging from consumer education in school systems to subsidizing day-care centers. The remainder of this paper shall:

- 1) Conceptually describe the need for and purpose of a localized consumer policy research framework;
- 2) Conceptually describe the framework;
- 3) Offer empirical evidence that suggests a basis for targeting policy locally exists;
- 4) Evaluate the possible impacts of adopting a localized framework into mainstream consumer research.

The Need for a Localized Consumer-Research Framework

Consumer Affairs policies and many other national programs have more often than not come up with poor or mixed results. The relatively simple ideological explanations for these mixed results show up in professional literature and in serious editorial statements of newspapers or magazines.

Persons of liberal persuasion must often note that funding was inadequate and that the true design of programs, that surely would have worked, were never implemented. Moreover, as soon as the good people (selfless government and other professionals) got the program started, the bad people (selfish persons seeking private gains) did all they could to subvert success.

Persons of conservative persuasion state or write that many so-called "problems" in society are not solvable by partial programs, especially when most resources put into these programs do not go to the people with the "problems" but are used up by the so-called selfless professionals who make their comfortable living in the doing-good business.

Clearly many consumer support policies have fallen short of expectations. Putting aside definition of whoever and whatever is to blame for weak

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program outcomes, this paper seeks to look forward from our current condition. Given some realignment in social and consumer policies, is it possible that time spent bickering over funding (source, and amounts) is misplaced? Are analytical issues being avoided which are now and have been highly significant? Is it that too many valuable person hours are allocated to questions of who should do what with how much resources as compared to analysis that would help understand the behaviors of people for whom policies are intended? The proper aim of consumer analysis, of better theoretical work, and of measurement would seem to be to heighten the likelihood of policy effectiveness no matter who it might be that initiates the policy.

This concern becomes paramount when one considers the double-edged sword now facing those with the responsibility for consumer program funding. Under the "New Federalism" localities may have greater discretion but may also have fewer dollars to spend (under the Budget Consolidation Act, for example, Delaware's allotment for funding educational programs has been reduced approximately 40 percent). With or without financial shifts it could be assumed local decision makers would seek to institute programs that: 1) directly address the most important priorities of particular populations; and 2) take action with the most cost-effective (i.e., most success per dollar) policies.

For example, let us assume, consistent with reality, that there are large percentages of low-income ghetto dwellers in city X. Let us suspend reality to some degree and also assume that city X actually wants to improve the economic condition of these residents through consumer education and protection policies and programs. Because funding is limited, however, the city decision-makers are very concerned that whatever funds they allocate are spent on policies and programs that will be highly effective.

In determining need, we think it would be fair to state that consumer researchers would certainly hope their work would be consulted for if consumers' research is done for any noble purpose (other than tenure and promotion), one would be to suggest policies and programs that empower consumers to better address and alleviate their most critical needs.

Certainly, before making their funding allocations, decision makers could consult the myriads of data and recommendations generated by consumer research about low-income consumers. Most of this literature suggests ghetto consumers will maximize their satisfaction through interactions in "normal" markets, and that policy options should emphasize methods for increasing opportunities for interaction between ghetto residents and the non-ghetto market (1,2,3,5,7). Cost-effective policy strategies then would

center upon encouraging mobility, interactions, and eliminating structural barriers to effective operations of "normal" market places. Implementation of low-cost, convenient mass transport routes from ghetto central areas to outlying shopping malls, and/or the placement of ghetto neighborhood leaders on public decision making bodies, such as zoning and economic development boards might be advocated. Local funding would seek to raise skills to enable ghetto consumers to operate comfortably in what may be very unfamiliar surroundings. Improving comparative shopping techniques would be a concrete program goal for example.

Unfortunately, those strategies, based upon sound consumer research findings, may be totally inappropriate for all or part of any city X's ghetto consumers. Indeed, theoretical research exists which suggests that ghetto consumers in organized neighborhoods maximize their satisfaction shopping in neighborhood submarkets, regardless of problems associated with that deviant submarket, necessitating far different policy and education strategies (6).

There is a fundamental issue here and the point is that research and data based only on SES groupings must, necessarily, present pictures of "average" conditions of the "average" group.

Averages may be useful in research but misleading for policy design. People are not averages, nor does policy effectiveness necessarily key only to low-income blackness or any other SES grouping. A key hypothesis of this paper is that in urban areas the different social capital contexts, where people live, as much as any SES classification, indicate the preferences, abilities to cope and attitudes of people in any particular living environment. Policies and programs could be more successful if joined sensitively to the value systems of the affected population when values vary by the social area contexts where people live. Could it be that consumer research effectively focused upon the social capital context of a particular group rather than upon SES characteristics alone will yield more reliable results? Could these results give practical help to states and cities to actually "know better" and "do better" than the federal government as is being claimed by some?

#### The Localized Consumer-Research Framework: A Conceptual Description

In the following figure and discussion the relationships between some urban consumer policy choice approaches and the social area contexts of cities are elaborated upon.



FIGURE 1. Consumer Policies and Social Area Contexts

1. Consumer education
2. Purchasing power subsidies
3. Food stamps
4. Day care programs
5. Tax breaks
6. Credit lending laws
7. Special utility prices
8. Seller information laws

CITY

|     |     |   |
|-----|-----|---|
| +   | +   | - |
| -   | -0- | - |
| -0- | +   | + |

Figure 1 suggests a policy menu of many program elements is available. With a limited amount of human and financial resources any state must make choices among program elements. Based upon past habits, estimates of effectiveness and pressure from existing beneficiaries some policy blend will be chosen. Assuming that urban populations will be one prime target, as they include large numbers of low-income families, the elderly, and female-headed households, the arrow of Figure 1 suggests that states could decide to aim consumer policies, in part at least, at people in cities.

Nine different hypothetical social area contexts are represented under "City" in Figure 1. The difference between the nine areas is represented by zero, plus and minus signs for simplicity and exposition only.

Any blend of policies directed at cities of the kind represented in Figure 1 could be expected to have outcomes dramatically affected by the different pre-policy social area contexts within the city. Should a consumer policy blend bring results about in a way that was in line with the symbolic structure of Figure 1 so that in "plus" contexts positive results occur and in minus areas negative results take place with no impacts measurable in "zero" areas, then appraisal of the consumer policy blend would be as follows. Effective and positive results would have taken place in four areas, negative results in three, no measurable impacts in two areas of the city.

What would ex-post policy performance appraisals be like? Some might accurately say that these program choices were very successful. This would be a sound appraisal if one considered only the four plus designated social area contexts. That the program yielded negative outcomes is a partial but also an accurate appraisal, as is the view that no good came from the program in some areas. Indeed, no results or negative results would be the verdict in five of the nine city areas.

The suggestions to consumer policy makers from this over simplified model are several. It is possible that the social area context of the

city matters for the effectiveness of policies. Certain areas may be weakened and others given no support from the same policy blend that brings positive results in other social area contexts. Opposition, indifference, as well as support to the same consumer policy program can be expected in any city, not merely on ideological grounds as often claimed, but on grounds directly related to the workings of policies intended to be helpful but which suffer when mismatched to value differences of people in actual social area contexts. In the above hypothetical example it is assumed that consumer policy programs are delivered in the same manner to all of the areas of the city. Variation in program quality is not the cause of variation in performance; instead it is suggested that one often overlooked dimension bearing upon consumer policy effectiveness is the social area context of the target population. It is to estimating the validity of this claim that the next section of the paper is directed.

#### Empirical Basis for Targeting

The objective of the following empirical data is to determine whether design of policies for consumers at the local level could be more effective if social area contexts were consciously used as the targeting mechanisms for policy design and delivery in place of or along with broader personal characteristics. To make this evaluation, policy viewpoints on two consumer topics will be used and tested. Along with two highly important personal characteristics (1) race and 2) level of education) that guide policies, could more reliable foundations be achieved by recognizing social area contexts? The two topics used for illustration are first, a set of major social policies; and second, a set of energy policies. The energy policies are more technical or physical in nature than the family policies which are social in character.

It might be generally expected that persons of different races hold statistically different views on social policies. Further, persons with greater formal education might be expected to have statistically different views from people with less formal education on energy policies. Are these personal characteristics reliable bases for policy? Would targeting even more limited resources by neighborhoods or social area permit delivery improvements?

Table 1 presents information on social policy valuation responses by black and white residents of center city Wilmington and also by three social area contexts.

Do values people have about social (family support) policies differ? On each of four policies randomly selected people were asked by a professional interviewer whether they thought the particular policy weakened or strengthened families.



TABLE 1. Family Impacts From Social Policies

| Racial Groups                                                          | Day Care                           |            | Subsidized Housing   |            | A.F.D.C.             |            | Food Stamps          |            |
|------------------------------------------------------------------------|------------------------------------|------------|----------------------|------------|----------------------|------------|----------------------|------------|
|                                                                        | Weaken                             | Strengthen | Weaken               | Strengthen | Weaken               | Strengthen | Weaken               | Strengthen |
| Whites (293) <sup>a</sup>                                              | 20.8                               | 79.2       | 34.9                 | 65.1       | 39.6                 | 60.4       | 51.0                 | 49.0       |
| Blacks (218)                                                           | 6.4                                | 43.6       | 17.9                 | 82.1       | 24.9                 | 75.1       | 14.1                 | 85.9       |
|                                                                        | $\chi^2$ significant <sup>a)</sup> |            | $\chi^2$ significant |            | $\chi^2$ significant |            | $\chi^2$ significant |            |
| Blacks by Social Area Contexts                                         | Weaken                             |            | Weaken               |            | Weaken               |            | Weaken               |            |
| Blacks outside black neighborhoods (37) (Highest income and education) | 2.9                                |            | 14.7                 |            | 30.3                 |            | 15.6                 |            |
| Eastside Neighborhood (104)                                            | 1.0                                |            | 11.0                 |            | 16.5                 |            | 12.6                 |            |
| Vandever Ave. Neighborhood (77) (Lowest income and education)          | 16.4                               |            | 31.1                 |            | 36.1                 |            | 15.9                 |            |
|                                                                        | $\chi^2$ significant               |            | $\chi^2$ significant |            | $\chi^2$ significant |            | $\chi^2$ N.S.        |            |

\* Absolute number of responses in parenthesis.

a) Significance accepted at the .05 level or lower on the Chi Square

On each of the four policies a statistically significant, and greater, number of whites think families are weakened than do blacks. Blacks and whites differ most on Food Stamps with valuation difference between racial groups second greatest on Day Care policy. Although a majority of people think each policy strengthens families, roughly 3 whites exist for every 1 black who feels Food Stamps and Day Care weaken families. Possibly blacks favor the programs more strongly because they believe the programs help them the most. This would be the "rational man" type of argument. Similarly, whites may feel the programs do not strengthen families because in fact their families are not supported as frequently. In all events, it can be said, and statistically supported, that racial groups have views that differ on these social policies aimed to support families.

Would recognition of Social Area Contexts, those residential social-spatial settings where people interact, transact with one another and allocate their time give us any additional policy understanding? The valuation scores on the lower half of Table 1 represent views of blacks only. Blacks make up around 90 percent of the residents in two city neighborhoods, Eastside and Vandever Avenue. A third group of blacks was interviewed who live elsewhere in the city and in different, predominantly white, neighborhoods. In separate statistical analyses it was

determined that blacks in these three context areas do not differ statistically on personal age or on length of time lived in their neighborhoods. There is however a statistical difference in education and in income levels. These differences are noted on the table with the social areas listed from highest to lowest on income and education levels.

Many interpretations can be made; but given the limited objectives of this paper we conclude that the values blacks have for social programs can vary dramatically by neighborhoods or social context of residence. Black neighborhoods tend to differ among themselves just as much as blacks differ from whites. The exception is the Food Stamps program where recognizing the social area context would not improve understanding of black program values.

The response differentials between programs and between racial groups or social area contexts is of interest to consumer policy makers. Targeting to meet differential values and conditions of social areas would probably improve program effectiveness because significant social value differences exist.

Table 2 presents responses of persons in the same city on energy policies. Table 2 groups persons by educational levels; families who are high school graduates are set apart from those who

have less than high school education, and those who have more than high school education. Because many persons withheld responses on income, the income variable is not shown and education level is used. Statistically, income levels vary directly with these education levels. On three out of four energy policy issues awareness of policies that help families with insulation costs, the reliability of government or of utilities in the energy policy field, views vary significantly depending on education (income) levels. The less education the lower the awareness of insulation policies, the higher the trust in either government or the utilities to come up with workable programs. Better educated families are most aware but trust the two policy making agencies the least. As to actually having taken steps to make their homes more energy efficient there is no difference by educational level. The expected power of education, a surrogate for income, to explain differences in the energy policy arena is supported.

When persons with college education are separated out into social areas within the city, some statistically significant differences on the energy policy issues become evident. The lower half of Table 2 shows views of the college educated in the only two distinct neighborhoods of the city, Highlands and Lea Boulevard where they make

up the majority. These neighborhoods are, by the way, the most affluent in Wilmington. Persons with advanced education living elsewhere, in generally ethnic and black neighborhoods of the city are shown as a third group.

How reliable is knowing education level alone for estimating energy policy positions and do the areas of the city seem to make a difference? Awareness by college educated persons of energy policies that help with home insulation is not statistically different by social areas. Reliance on the government to devise energy policies differs by neighborhoods but reliance on public utilities does not. Finally, the degree to which better educated people have not taken action to improve doors and windows varies by social areas to a statistically significant degree.

Table 3 presents energy policy views by racial groups and by social area contexts; while Table 4 shows social policy valuations by educational levels and by social area groups.

TABLE 2. Energy Policy Responses

| TABLE 2. Energy Policy Responses                   |                                    |      | Rely on Government<br>(to come up<br>with policy) |           | Rely on Utilities<br>(to come up<br>with policy) |           | Efficacy<br>(have fixed<br>doors and windows) |           |
|----------------------------------------------------|------------------------------------|------|---------------------------------------------------|-----------|--------------------------------------------------|-----------|-----------------------------------------------|-----------|
| Awareness<br>(Govt. policies<br>to aid insulation) |                                    |      |                                                   |           |                                                  |           |                                               |           |
| <u>Yes</u> <u>No</u>                               |                                    |      | <u>Yes</u>                                        | <u>No</u> | <u>Yes</u>                                       | <u>No</u> | <u>Yes</u>                                    | <u>No</u> |
| <u>Education Level</u>                             |                                    |      |                                                   |           |                                                  |           |                                               |           |
| Less than high (208)*                              | 51.5                               | 48.5 | 64.4                                              | 35.6      | 47.6                                             | 52.4      | 32.3                                          | 67.7      |
| High school (157)                                  | 57.3                               | 42.7 | 52.7                                              | 47.3      | 38.4                                             | 61.6      | 29.7                                          | 70.3      |
| Some college (144)                                 | 75.2                               | 24.8 | 42.6                                              | 57.4      | 25.4                                             | 74.6      | 33.6                                          | 66.4      |
|                                                    | $\chi^2$ significant <sup>a)</sup> |      | $\chi^2$ significant                              |           | $\chi^2$ significant                             |           | $\chi^2$ N.S.                                 |           |
| <u>Social Area Contexts</u>                        |                                    |      |                                                   |           |                                                  |           |                                               |           |
| <u>Some College</u>                                |                                    |      |                                                   | <u>No</u> |                                                  | <u>No</u> |                                               | <u>No</u> |
| Highlands<br>Neighborhood (36)                     | 18.2                               |      | 58.3                                              |           |                                                  | 75.0      |                                               | 65.7      |
| Lea Boulevard<br>Neighborhood (42)                 | 26.2                               |      | 75.6                                              |           |                                                  | 75.6      |                                               | 83.3      |
| Some College in<br>other Neighbor-<br>hoods (61)   | 27.3                               |      | 45.3                                              |           |                                                  | 73.8      |                                               | 55.6      |
|                                                    | $\chi^2$ N.S.                      |      | $\chi^2$ significant                              |           | $\chi^2$ N.S.                                    |           | $\chi^2$ significant                          |           |

\* Absolute number of responses in parenthesis.

a) Significance accepted at the .05 level or lower on the Chi Square.

TABLE 3. Energy Policy Responses

|                                         | Awareness            |      | Rely on Government   |      | Rely on Utilities    |      | Efficacy             |      |
|-----------------------------------------|----------------------|------|----------------------|------|----------------------|------|----------------------|------|
|                                         | Yes                  | No   | Yes                  | No   | Yes                  | No   | Yes                  | No   |
| Racial Groups                           |                      |      |                      |      |                      |      |                      |      |
| White (293)*                            | 62.2                 | 37.8 | 46.8                 | 54.0 | 42.2                 | 57.8 | 27.4                 | 72.6 |
| Black (218)                             | 57.3                 | 42.7 | 66.5                 | 33.5 | 28.7                 | 7.3  | 40.3                 | 59.7 |
|                                         | $\chi^2$ N.S. a)     |      | $\chi^2$ significant |      | $\chi^2$ significant |      | $\chi^2$ significant |      |
| Blacks by Social Area Contexts          | No                   |      | No                   |      | No                   |      | No                   |      |
| Blacks outside black Neighborhoods (37) | 37.8                 |      | 56.7                 |      | 80.6                 |      | 91.7                 |      |
| Eastside Neighborhood (104)             | 31.7                 |      | 35.1                 |      | 97.4                 |      | 43.3                 |      |
| Vandever Avenue Neighborhood (77)       | 59.7                 |      | 22.2                 |      | 39.7                 |      | 68.2                 |      |
|                                         | $\chi^2$ significant |      | $\chi^2$ significant |      | $\chi^2$ significant |      | $\chi^2$ significant |      |

\* Absolute number of responses in parenthesis.

a) Significance accepted at the .05 level or lower on the Chi Square.

TABLE 4. Family Impacts from Social Policies  
Percentage Scores

|                                          | Day Care             |            | Subsidized Housing   |            | AFDC          |            | Food Stamps          |            |
|------------------------------------------|----------------------|------------|----------------------|------------|---------------|------------|----------------------|------------|
|                                          | Weaken               | Strengthen | Weaken               | Strengthen | Weaken        | Strengthen | Weaken               | Strengthen |
| Education Level                          |                      |            |                      |            |               |            |                      |            |
| Less than high (208)*                    | 8.5                  | 91.5       | 16.0                 | 84.0       | 28.0          | 72.0       | 24.4                 | 75.6       |
| High school (157)                        | 15.4                 | 84.6       | 32.6                 | 67.4       | 34.5          | 65.5       | 33.6                 | 66.4       |
| Some college (144)                       | 20.1                 | 79.9       | 32.3                 | 67.7       | 36.8          | 63.2       | 47.7                 | 52.3       |
|                                          | $\chi^2$ significant |            | $\chi^2$ significant |            | $\chi^2$ N.S. |            | $\chi^2$ significant |            |
| Social Area Contexts                     |                      |            |                      |            |               |            |                      |            |
| Some College                             | Weaken               |            | Weaken               |            | Weaken        |            | Weaken               |            |
| Highlands Neighborhood (36)              | 36.4                 |            | 42.4                 |            | 48.5          |            | 71.0                 |            |
| Lea Boulevard Neighborhood (42)          | 17.9                 |            | 25.6                 |            | 24.4          |            | 48.7                 |            |
| Some college in other Neighborhoods (66) | 12.9                 |            | 31.0                 |            | 39.0          |            | 34.5                 |            |
|                                          | $\chi^2$ significant |            | $\chi^2$ N.S.        |            | $\chi^2$ N.S. |            | $\chi^2$ significant |            |

\* Absolute number of responses in parenthesis.

a) Significance accepted at the .05 level or lower on the Chi Square.

#### Conclusions - Evaluation

A limited statistical test of the question whether policy targeting by social area contexts or neighborhoods could yield superior results over traditional general personal attributes such as race, education and income has now been

made. The results strongly favor social area recognition or targeting. Out of 16 possible policy combinations shown on Tables 1 through 4 the social area context of persons reflects significantly different value conditions in 11 cases.



Race and education alone were also significant in 13 out of 16 cases. Social areas or neighborhoods do seem to make an important added difference in policy valuations. Targeting policies to match values generally might raise policy performance outcomes. Said more simply, people could probably be helped more by consumer policies if their neighborhood and social areas were taken into account by policy makers. This might be easiest when policy design is done at the local level but unfortunately requires an operational understanding of social areas beyond a mere local ideological preference. By knowing about categories of persons (blacks, the poorly educated for example) policy makers are on to something that counts but do not go far enough. Neighborhoods or social area contexts must be taken into account. For this to happen consumer policy makers must go beyond broad categories of the so-called needy. They must understand more than their favorite programs, from which they may sensibly expect to make living. Unfortunately under pre- or post-Reagan conditions most public policy designers of all disciplines and ideologies have failed to recognize or provide reliable ways to spell out how social area contexts could be identified. Not only might the success rate of policies increase if targeting could be improved, but the nature of neighborhoods which can bring strong social capital supports to peoples' lives could be reinforced.

James Coleman and others have noted that close social access among persons traditionally has provided a real kind of collective capital that enriches people's lives. This collective capital is sometimes called community or neighborhood; and becomes a means by which people can reduce the anonymity of modern life, support one another and even create the necessary condition for something as fundamental as safety. Indeed, much recent literature on crime - safety - police protection emphasizes the basic role that neighborhood plays, suggesting protection of people and property is rooted in community behavior of looking out for one another and actually reporting criminal behavior.

Many consumer policies, social policies, or energy policies have no neighborhood dimension in design or in application. The implications are not neutral. Analysis, after the fact, of many large public programs such as housing subsidies, highway construction and school district consolidation now reveals that lack of recognition of community wound up harming communities as well as the programs.

Neighborhood values, institutions and interpersonal contact networks were effectively reduced and made more costly, however unintentionally perhaps, by continuous application of programs that simply left recognition of neighborhoods out of their calculus.

Might consumer research which focuses upon the social area context of a particular group rather than solely upon SES characteristics yield more reliable results? Analysis of the data from Wilmington clearly indicates that values people have about two major consumer programs vary by neighborhoods (social areas) almost as often as by SES as measured by race and education-income. Our tendency is to believe that neighborhood sensitivity in consumer research and policy-making can and should be encouraged because it promises true performance improvements. It is recognized that the relatively straightforward statistical treatment of this paper requires elaboration; nevertheless, the message is clear. Policy values vary by neighborhoods; and if people count in policy design, the context of peoples' lives must be recognized. There is a local difference as the new policy wave claims and consumer policy analysis must help define how people differ locally.

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by

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The presentation I make this evening is broadly based, and perhaps uneven in its impact. However, I hope to point out directions for the future.

It is 25 years since the Consumers' Association began to make independent measurements of the performance of consumer products and to publish the results. Consumers Union began twenty years earlier. Despite present troubles (are not troubles ever-present?), publication of consumer data is still a major success in the developed world although variable in its scale and completeness it is a success and the financial and technical base of the consumer movement. Technology has been developing over these years, not least in communications, and communicators have new problems not only in communicating but also in comprehending the world of production. This is what I am about.

Developing technology is a wide concept. This is Information Technology Year in the UK and there is much to discuss there, but there is much more. And I limit comments to the short-term. Since the pace of change is so great that longer term prediction is unreliable.

The discussion that follows include aspects of transport, energy, pharmaceuticals, food, information and mass entertainment.

#### Transport

Transport is a major consumer question in 20th century life. Cities are dominated by motor cars, and by the provision, or lack of, public transport systems. Rural communities are at least partly dependent upon good communications for survival.

For the individual consumer, personal transportation, the automobile, is now an essential, a very large item of personal expenditure. And the automobile is voracious in its consumption of materials in its construction, fuel in its operation, space for its storage and use.

A consumer can reasonably ask for a vehicle to be economic, safe, easy to maintain, durable, reliable. Much of this has been attained, at the cost of air pollution and immense complexity. Maintenance is difficult. In the UK garage servicing is amongst the largest sources of all complaints.

The success and acceptance of individual transport has come at a very high price.

1. A great demand for material resources and skills to produce.

2. A large consumption of fuel, which has begun to dominate world economies.
3. Pollution of the atmosphere.
4. Change in the character of urban life.
5. Large scale resources to provide road systems.

But with the benefit of freedom of action for the individual consumer.

In developed societies, large numbers of consumers become dependent upon a need to achieve substantial skills to control their automobiles. And to the whole society, dependence upon a single fuel source has introduced economic instability of a high order.

The price of developing a quality car is now so great that only a small number of producers are able to exist. The number of US major producers is three. A similar situation is emerging in Europe and in Japan. The market is dominated by a small number of Transnational Corporations.

The New Technology, in creativity, effort and skills in the development of this single product has responded to consumer demand effectively. It provides drastically poor after-sales service and illustrates the effects of competition (and of protectionism) upon markets and producers where the number of firms is small and the amount of investment very large.

A new source of energy could transform the problems of fuel dependence, but on present standards expanded technology will concentrate still further the number of producers.

The aeroplane, in a similar period, has changed social and business life. It has made mass transportation for the individual possible on an unbelievable scale. However, the factors of concentration of production and high investment are even more evident than with automobiles and the impact of economic change is dramatic. Aircraft are an integral part of consumer leisure.

In a short paper these illustrations are sufficient, and lead on to matters of:

#### Energy

We have all lived through the two recent crises arising from the price of oil. Consumers can observe with interest and concern, the alternative supplies of natural gas, of oil, of coal, of hydroelectric power, and of nuclear power and the

variations in their price. Energy is a major national political concern.

Briefly, the only sources of energy that can be morally justified in the consumer interest are renewable, primarily water power. Oil, natural gas, and coal are all finite resources purchased at a high price in technical skills, investment, and human life. They provide a scarce material for our chemical industries, wastefully consumed (or destroyed) by the internal combustion engine. It is important, if these basic resources are to be properly used, that other resources be found.

Nuclear power has been inevitable. Although this is the most dangerous of all the discoveries of basic research, fusion and fission are potentially the great sources of benefit for our future. As consumers, it would be irresponsible to neglect this source of energy.

For consumers, we seek cheap sources of energy but there are other essential considerations:

1. That supplies be reliable.
2. That scarce resources be not wasted.
3. That re-newable resources receive priority.
4. That safety should be a major consideration for consumers, producers and the environment.

As resources become available more freely to the Third World, demand will increase. Environmentalists will seek proper precautions, which we must support.

However, we should consider:

1. Whether, the reserves of gas and oil are sufficient for world needs, or whether the priority should be to use these resources as a chemical feedstock.
2. Whether new, re-newable sources are available.
3. Whether nuclear fuel can be safe, and whether waste products can be safely stored?

In the last century, we failed to recognize the environmental consequences of technical growth. As we become more demanding, to use yet more of these essential resources of energy, we should seek:

1. New energy sources.
2. To the balance of demand for energy against the use of chemical feedstocks.
3. To resolve the problems of safety with nuclear fuels and the disposal of their waste products.
4. To develop methods of energy conservation.

If consumers are to exercise influence on their own futures then we must seriously pursue these objectives. If consumers are to justify their use of resources, they must also use them with some regard to the needs of others.

Energy is not only a consumer resource, it is an ill-distributed resource, required increasingly by all nations and consequently subject to national policy. The consumer interest should be present.

#### Food Content and Quality

New technology will influence food both at the macro-level, involving the production of more basic food in the shape and price of new proteins, and the micro-level involving changes to existing foods, e.g. speeding-up processes, extending shelf-life, using materials which might have been discarded. If used properly, these techniques should result in improved quality at a lower price.

Developments of new proteins have taken place in the developed countries because they depend on high technology. But the long term aim must be to provide new sources of protein which can be produced cheaply in developing countries. So far there have been two main developments - vegetable protein, mainly from soya beans and more recently, micoproteins, derived from fungi. In addition, there is work on the possibility of providing protein from oil-based products, but this seems unlikely in the near future. On the other hand, a lot of work is still going on into other potential vegetable protein sources e.g. peas.

Such development is based on genetic engineering. As a technique it has been used for generations. It has been used to improve factors such as resistance, yield, ease of harvesting and uniformity but it has not been used to improve nutritional quality. This must be something to be considered in the future.

Genetic engineering depends on the existence of gene banks. These are mainly situated and administered in the N. Hemisphere despite the fact that many of the plants involved come from the S. Hemisphere. The Third World is becoming increasingly concerned about gene banks and the exploitation of what they see as their heritage by the strong developed countries. However, I am not sure how strong their case is because the potato gene bank is apparently kept in Brazil.

Another important issue with the new proteins is safety. The new mycoprotein which has been developed in the UK has gone through all the stringent safety tests that are required and has been given a clean bill from the appropriate authorities before it has ever been marketed. This is not the case with all the potential new proteins, especially those based on petroleum.

The new proteins are generally treated to further technology to produce food which resembles existing food. New proteins have no strong characteristics of their own, so they are given meat or fish flavor and are moulded into products that look like traditional meat or fish products. The problem then arises of informing consumers about what they are actually eating. It is not just a problem of labelling but of methods of analysis for identifying different types of protein. The traditional method has been based on the nitrogen content but this cannot distinguish real meat protein from vegetable protein. New methods of analysis are being developed and researchers are hopeful that they will be able to find a simple, quick and cheap method. At the moment, it seems likely to be based on infra-red spectrometry, which is essentially a technique based on physical characteristics and which could be simple, easy and cheap if you have the equipment. Methods of analysis will be increasingly important in the future and it is clearly another area where new technology relates directly to food.

At the micro-level of existing foods, new technology has already resulted in a number of changes, some of which are certainly undesirable from the consumer point of view. The most obvious is the extent to which modern meat products contain more water than in the past. The water in ham sage is well known as UK. Other new techniques enable meat products to be debased in terms of standards. These include the addition of a variety of other substances without declaration e.g. pork rind, dried blood, extracted or ground up bone protein and even straight cereal. In principle there is nothing against the use of such substances provided the consumer is informed. However, some questions about nutrition and safety remain, especially for example in connection with bone protein.

A lot of modern food undergoes a lot more processing than in the past and this necessitates the use of more additives. Many groups of additives are technologically necessary. Preservatives are important to ensure safety especially for products which either have a short shelf-life or need a longer shelf-life due to modern distribution and retailing methods. Antioxidants are necessary to prevent organoleptic and visual changes to food which the consumer would find unacceptable. Colourings may not be technologically necessary but some foods would be very dull and dreary without them e.g. sweets and jellies. On the other hand, technology ensures that new additives are thoroughly investigated, especially their composition and effects. This is not always true of natural substances or even natural foods.

Technology should be seen as a tool, of service to the food industry and indirectly to the consumer. Food has been processed for thousands of years, from the earliest days of grinding cereals. The essential difference between old and new technology is that people are ignorant about the new, they don't know what is involved or how it works, nor even why it is necessary. Ignor-

ance breeds fear, which explains so much of the current reaction against food additives. It's back to the age old story of needing information and education.

#### Pharmaceuticals

Perhaps this is a topic more sensational than any other.

A truly global industry, dominated by a tiny group of producers, with in ethical drugs alone annual sales of \$76,000m of which some 20 per cent is in the U.S.

And for the Chemical Industry, important in magnitude and in profit. For this is an expensive industry, with huge research and development costs, and marketing on a massive and specialized scale.

Patent rules ensure that sales are controlled. However, as patents expire problems arise as generic drugs emerge.

About 20 percent of all sales are directed to the Third World where marketing is intense because of the urgent needs.

Pricing is designed to suit the market. Valium from India costs \$200/cf. \$17,000 from Switzerland. And there are many examples. Since some 40 percent of all health expenditures is upon drugs, this is vastly important.

In the UK where \$2,500m is spent on drugs, we do field testing for the Drug and Therapeutics Bulletin where the turnover is \$1m and substantial savings can be made.

Here the problems arise because State Health Insurance pays the bills, and only the State has any incentive to save.

However, the Pharmaceutical Industry is controlled by large groups, Hoechst, Roche, Boots, Glaxo, ICI, Merck, Eli Lilly.

#### TECHNOLOGY IN THE MARKET

I now wish to turn to innovations in information technology and a shopping revolution. The availability of videotax and its facility for two-way communication via computer in the home, and the presence of computer terminals in the supermarket open up new 'shopping' prospects which were previously not technically feasible. They raise important questions about the pricing of goods, consumer price awareness and the broader economic issues of competition in the market place and consumer choice.



### Laser Scanning Systems

In the mid-1970's the first laser scanning systems at the checkout were introduced in the USA. A standard product coding system was developed known as the Universal Product Code. This allowed for the retailer to store lists of products on the database by code number, along with the prices. The system is now available in Europe, Australia and Japan. Those items which are not marketed at source by the manufacturer are coded in-store and have reserved numbers.

The main benefit of the system to retailers is information: each item which leaves the supermarket is recorded, which allows for instant stock control; item movement data; sales volume; theft losses; customer volume identifying busy periods for better utilization of staff time; detailed information on shopping habits and patterns of purchase.

### Laser Scanning: Item Pricing

The most controversial consequence of article numbering is that it removes the need for individual pricing. With laser scanning the cashier does not need to know the price because it is "looked-up" by the computer and transmitted automatically to the cash register. From the retailer's point of view, it seems a good idea to do away with individual price marking since it is labour intensive and therefore time-consuming and costly. Some supermarkets in the USA and Canada stopped individual price marking when they introduced full-scale article numbering. This led to an absolute outcry from consumer organizations. The arguments against removal of individual price marking are:

1. that shoppers find it more difficult to see how much each item costs at the time of purchase;
2. that shelf prices alone are not sufficient because they fall off and get moved;
3. That it is difficult to compare prices of similar products in different parts of the shop, e.g. tinned vegetables with frozen vegetables;
4. that in the long term, consumers actual price awareness would decline.

Of course the problem with shelf labelling might be overcome. Staff time could be devoted to ensuring that shelf labels don't get moved or fall off. Care could be taken in ensuring that they are easy to read and use.

However, the fact remains that removal of item marking represents a loss of readily available information for the shopper. The right to know how much an item costs before deciding to make a purchase, differentiating between items and developing consumer price consciousness and awareness as a result, creates a selective shop-

per. Pure economic theory even presumes that consumers know as much as possible about the quality and prices of goods available.

Another aspect of article numbering which is of real concern to consumer organizations is the means by which price changes will be made. Prices are stored in the computer and changes can be made easily at any time. It would be entirely possible for a change to be made during the time it takes to pick an item off the shelf and walk to the checkout, especially if it happens to be the first one picked up on entering the shop.

Retailers may argue that it would be against their interests to have discrepancies between shelf price and checkout price because consumers would soon lose confidence. This is not a strong argument, because it really is unlikely that shoppers would remember what the shelf label had said for more than a few items and in this respect even the itemized receipt would not help.

### Laser Scanning: Weighing Machines

Another important question relates to the pricing of weighed-out goods such as fresh fruit and vegetables. As I understand it, a faulty operational laser scanning system incorporates an automatic weighing machine and the price for the weight is then calculated by the computer and the price fed into the cash register. Some countries control by law the accuracy of weighing machines, including electronic weighing equipment which also calculates the price when the price per pound is keyed in. When the price calculation is made through the computer however, the accuracy of the transaction is a much more complex problem. The question is whether such a weighing process could be effectively controlled under Weights and Measures legislation in the UK, for example. The accuracy of the weighing procedure may not be taken for granted when the computer becomes part of the transaction and may be a problem for enforcement.

There can be no reason for consumer organizations to oppose the new system although as I have said, a number of aspects are of some concern. There may be effects on competition in the retail sector which are difficult to predict but with manufactures costs being spread across the whole trade it might add to the price of products sold to smaller retailers at a time when the larger stores are able to reduce their costs. Consumer choice may be reduced if slow-moving lines are discontinued when checkout data identifies the popular products and the launch of a new product is not given sufficient time to establish its market. If there is more concentration on volume products and less on more specialist items it will be to consumers' disadvantage.

Supermarket computerization presents a strange paradox because the introduction of a kind of information technology might deprive the consumer of information. Thus there is a need to seek protective measures to ensure that shoppers do



receive information, and accurate information on prices.

#### "Cashless" Payments

Alongside this development in checkout procedure has been the acceptance more and more of "cashless" payments methods. One aspect of this is the growing use of credit cards but point-of-sale terminals provide the facility for an electronic payment system: electronic funds transfer. By means of a special link between the terminal in the store and the bank's computer, a customer may pay for a purchase at the time of sale by transferring funds electronically from the customer's to the seller's account. It will require the use of a plastic card and a personal identification number which will enable the shopper to gain access to the computer account. Banks have already installed automatic teller machines which enable people to withdraw cash from their accounts as well as order statements, check books even making deposits, and EFT at the point of sale is in a sense a progression from this facility.

Taking the leading point-of-sale banking in Europe are France and Belgium, experimenting with on-line terminals linked to a central computer. Europe's first full EFT trial in the French town of Bourgen Bresse covers fifty four retailers including supermarkets, boutiques and filling stations. Sweden has an experimental EFT scheme in operation. The UK's first big experiment is drawing to a close and has involved petrol filling stations in the town of Norwich, and one of the major banks, Barclays. There is also an off-line system in France using a card with an electronic memory, charged up with the cash amount the card holder has withdrawn from his bank, and the card's memory is debited with each purchase. In Italy a similar experiment is being conducted using cards for paying for telephone calls. There are other "cashless" payment methods with which people are already familiar, and as well as credit cards which I have mentioned there are the services for regular payments provided by the banks but these are not at the point of sale.

Economic implications for consumers at the simplest level concern the necessity for the consumer to keep track of spending, to make sure that the correct amount has been debited for example and for this reason it is essential that some documentary proof be available so that transactions are recorded. It should be noted that it is already possible to use a credit card by telephone, to purchase a service. There are also wider economic considerations which center inevitably on the costs of providing these services, whether banks, retailers or consumers and there are legal issues, in particular those raised by the USA Electronic Funds Transfer Act.

#### Information Technology in the Home

The advent of the new electronic media offers the consumer access to an immense amount of information in the home. There are new outlets for the consumer's disposable income with the necessity to evaluate the worth of the new technologies. The consumer is faced with what may be bewildering opportunities of possessing not only access to "information" but also new forms of entertainment, video cassettes and disks, cable and satellite television, broadcast videotex from established television companies (such as Ceefax and Oracle in the UK, Qube in Columbus) and through "interactive" videotex a potential message-sender, order-taker, 'bank', and 'shop'. The unprecedented nature of many of the new facilities being offered raises important and equally unprecedented economic questions for consumers. Before we can begin to consider the economic problems of a consumer communicating with the new technology and going 'computer shopping' a crucial economic issue is the availability and cost of the systems to ordinary people. How much are people prepared to pay for information?

Remember videotex as originally conceived for the residential market. The consumer has limitations on the amount of discretionary income available. The new technology is in competition with other spending opportunities outside the information field and so the service must be priced competitively if it is to win sales. Unfortunately before costs of these services can be reduced, volume sales are necessary. Alternatively, policy decisions are made to underprice services to stimulate demand.

Even though the potential mass market has not yet been exploited, as you well know, the response frames already are geared to a sophisticated form of armchair shopping. The 'information provider' offers the goods for sale and it is possible to transmit an order and make payment arrangements simply by pressing the 'send' key from home. A worrying aspect of this type of "shopping" is, that there is no written or documentary confirmation of the sale. When the user requests the goods, the message doesn't go direct to the seller, but is recorded on the computer until it is next called by him. In this, it is more like a telephone answering facility recording a message than a direct phone call.

The clue to the range of uses that may be made of this facility is the fact that the computer already holds the user's name and address and telephone number on computer. Requesting the goods releases that information to the advertiser or information provider. In practice it is little different from ordering goods by telephone, quoting a credit card number, and giving a trader one's name and address. When linked to banking facilities, the issues might be more complex. Electronic funds transfer is quite feasible. For an international system, the consumer could face problems if electronic payment is made to the supplier of goods in another country and the goods turn out to be unsatisfactory.

factory. Obtaining redress on faulty goods when the supplier is not easily accessible might prove to be very complicated, particularly if payment has already been made. This needs to be thought about carefully.

The outcome of the race for world markets is still wide open in the information/videotex fields and in the related facilities. Communication satellites enable television broadcasts to cross national boundaries. Cable transmission provides consumers with the choice of paying by the programme or per channel. Cable systems already provide security surveillance, and there are implications for direct marketing. Video cassettes and video disc production is ready to achieve tremendous mass market access, although systems are being developed which are incompatible. The economic interests of consumers may in part be taken care of with the emergence of highly competitive markets in all these areas, which should serve to limit the costs to the consumer. But there is heavy investment by commercial interests and highly profitable markets; we will be entering unexplored commercial areas in which advertising and direct selling may cross national boundaries and we should not presume that present safeguards for consumers, in either monopoly control, or other regulatory aspects such as advertising, and financial and banking controls will be adequate.

What can be concluded from these random thoughts?

This developing technology has well-defined characteristics:

1. Scale. Developed from fundamental science, often at low cost, technology in application is now vastly expensive.
2. The Large Corporation. In practical terms, great consortia are needed to promote the new technology. Costs are high, the prospective markets are global and international banking has made it possible for multinationals to operate on a global basis, conducting research in one Continent and production in another. Major industries are now dominated by large corporations. Aircraft, motor cars, textiles, fibre, plastics, pharmaceuticals are all made by very large groups. There is an increasing tendency towards the development of chains in distribution and in Services, particularly within supermarkets and fast-food and hotels.
3. And this is International. Sometimes a nation dominates a world market. The operations are supported by international banking consortia and financial institutions, as well as by national governments. Experience with IBM and Ma Bell indicates the difficulty of regulating this type of cartel, nationally. How effective can it be internationally? Both production and distribution are becoming internationalized for instance in:

| <u>Manufacturing</u> | <u>Primary Products</u> | <u>Services</u>    |
|----------------------|-------------------------|--------------------|
| Drugs                | Natural gas             | Telecommunications |
| Motor Cars           | Oil                     | Hotels             |
| Textile Fibres       | Minerals                | Airlines           |
| Aeroplanes           |                         | Fast Food          |

New Technology is on a scale that enables the business to transcend frontiers, including the ideological frontiers - Avis in Moscow, Coke in Peking.

It is possible, even better, to establish new industries in regions where there is only a slight tradition of industrial life and in consequence traditional skills are less in demand. If mass unemployment is to be avoided, changes in patterns and habits of working will occur and service industries may become more important.

There are wider differences globally in income levels, standards of production, levels of consumption and standards of Consumer awareness. For some products there are global markets, although the standards offered may vary greatly. Goods that would fail the basic tests in the US may well be acceptable in Asia. Conversely, goods made in Asia may be much cheaper than those made in the West.

Advertising in a Transnational situation introduces new problems, to be resolved by harmonisation of quasi-legal codes. However, in the Third World, problems arise where such codes do not exist.

Whatever is the truth, consumers need access to goods and services. Economic systems fail consumers if production is not maintained or incomes and employment essential to consumption are not provided.

I suggest what we need to do.

1. Consumers still need to examine the standards of goods and services. Safety and health continue to be basic and trade practices may yet have some way to go. Fire in hotels is a lively topic in Europe and I believe that vigilance continues to be needed to eliminate the unforeseen consequences of product use (or misuse). Third World Standards of Regulation are still weak.
2. Consumers still need to compare prices, wide variations in the price of motor vehicles in different European countries is an example, differing airfares another. Both instances where technology and national interests work together and the consumer pays. And often still the poor pay more.

3. Consumers are confronted with information technology where information, banking and entertainment are internationalized. International electronic funds transfer, already enables some purchases of services to be international, Prestel and Satellite TV will soon extend this to goods. Standardized (or harmonized) information may become necessary to assist the transfer of goods.
4. The combined transfer of goods and services across national frontiers brings with it questions of legal redress already seen in small part in failure of travel agencies and airlines. Practical legal systems will become necessary to protect consumers in transnational situations.

For Third World countries, the introduction of Advanced Technology (whether by the import of goods or of the technology) introduces differences of standards which are inappropriate to the state of development. This is not to deny the importance of introducing technology, but the need must include the Intermediate Technology to ensure that as many people as possible are able to achieve immediate advantage. The use of capital-intensive industries in areas of great unemployment, merely provides a basis for frustration.

5. Consumers facing complex products still require after sales service and the new industries must be expected to provide this.
6. International production and distribution requires the transfer of products and technology and to achieve this, standardization is already emerging at the International level. It is a continuing consumer demand to be represented in this work.
7. Legitimate consumer aspirations are usually set out in developed societies, where consumer demand and consumption greatly exceeds that of the Third World and disadvantaged consumer.

Consumer satisfaction must include proposals to use resources, so that most sectors of the population in developed societies can participate. The unemployed consumer is an unfulfilled consumer.

8. Third World regions where basic requirements are still unfulfilled necessarily need both sophisticated technology and urgent simple development of many resources. That might be met by an intermediate technology. It would be an intolerable philosophy that allowed great numbers of poor consumers to be exploited for the benefit of a few. In exploiting technological change for the consumer gain, the total situation must be considered.

I conclude to say that the New Technology is moving rapidly, that we need to keep up, recognizing that new situations are arising. We need to understand new products and to use them well. To recognize the legal and moral implications of information technology, and to accept that consumer problems and consumer standards are international in their nature.

Working in a developed society, it is too easy to ignore the consequences for the Third World Consumer where Western standards are exported and marketed but where the basic levels of inspection and control do not exist.

Technology is exported to establish production processes, where local demand is insufficient and the product exported, competitively to the West. And where there is a more urgent need for an intermediate technology to meet the basic requirements of the society.

Consumers must come to terms with this technology, not only for themselves, but in its consequences for the remaining, nondeveloped areas of our world.



## "Consumerism: Now to the Year 2000"

by

James S. Turner  
Partner, Swankin and Turner

Alvin Toffler, who first came to prominence in the early 1970's with his book, *Future Shock*, has opened the decade of the 1980's with another important book, *The Third Wave*. This book establishes a context important for thinking about "consumerism" in American and global society:

"The Second Wave (industrialism), like some nuclear chain reaction, violently split apart two aspects of our lives that had always, until then, been one. In so doing, it drove a giant invisible wedge into our economy, our psyches, and even our sexual selves..."

"The two halves of human life that the Second Wave split apart were production and consumption. We are accustomed, for example, to think of ourselves as producers or consumers. This wasn't always true." (p. 37)

Within the context of the massive changes going on around us Toffler argues that this split explains much of the essence of modern events:

"In politics, however, Second Wave governments found themselves increasingly torn by a new kind of conflict born of the split between production and consumption. The Marxist emphasis on class struggle has systematically obscured the larger, deeper conflict that arose between the demands of producers (both workers and managers) for higher wages, profits, and benefits and the counter-demand of consumers (including the very same people) for lower prices. The seesaw of economic policy rocked on this fulcrum."

"The growth of the consumer movement in the United States, the recent uprisings in Poland against government-decreed price hikes, the endlessly raging debate in Britain about prices and incomes policy, the deadly ideological struggles in the Soviet Union over whether heavy industry or consumer goods should receive first priority, are all aspects of the profound conflict engendered in any society, capitalist or socialist, by the split between production and consumption." (pp. 40-41)

In past presentations before this group I have argued that the free market theory of Adam Smith placed the locus of the origin of economic power in the hands of consumers. Smith wrote, in *The Wealth of Nations*, "Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer."

This 1776 theory of Adam Smith's, which often appears to be mostly honored in the breach, is an economic corollary to the political theory of voters' democracy which grew out of the Declaration of Independence. In simple terms, that corollary can be summed up as, "Consumers are to economics what voters are to politics." This economic view has been instrumental in shaping American governmental institutions during three different periods of American history.

During the Progressive period, roughly from 1887 when the Congress created the Interstate Commerce Commission, the first regulatory agency, to 1915 when it created the Federal Trade Commission, bringing to an end the first expansion in government regulation, the consumer issues were used as a rhetorical justification for the creation of regulatory mechanisms sought by railroads, food processors and other businesses.

Smith viewed his free market theory as an alternative to the "mercantile" system then dominant in England, in which "the interest of the consumer is almost constantly sacrificed to that of the producer; and," he wrote, "it seems to consider production and not consumption as the ultimate end and object of all industry and commerce..." The move toward regulation of the economy by the government which took place between 1887 and 1915, while based on a kind of consumer protection rhetoric, was actually pushed forward by the leaders of American business.

Smith wrote of the tendency of businessmen to rely on the protection of government in terms which apply accurately to much of our accumulated regulatory superstructure. "It cannot," he wrote, "be very difficult to determine who have been the contrivers of this whole mercantile system; not the consumers, we may believe, whose interest has been entirely neglected; but the producers, whose interest has been so carefully attended to; and among this latter class our merchants and manufacturers have been by far the principal architects."

By the time of the New Deal, 1933-34, the arguments of consumerism were once again at center stage of the national social debate. The architects of the Roosevelt recovery sought to balance the power of business with that of labor on the one hand and consumers on the other and created government-based systems of code development that had labor and consumer councils as part of their structure.

Gardner Means, writing in the May 1934 issue of "The Annals", the journal of the American Political Science Association, said the consumer agencies of the New Deal "may well be the peculiar American answer to the economic forces which



are driving the rest of the world to choose between fascism and communism." The notion that the democratic pluralism and social democracy that were characteristic of the American system of living could be grounded in a consumer economics that saw cumulative citizen actions in the marketplace, rather than government intervention, as the primary source of economic regulation seemed promising in 1934. The next year, however, the Supreme Court, for reasons unrelated to their consumer provisions, declared all the major pieces of New Deal recovery legislation unconstitutional.

The consumer ideas and spokespersons of the New Deal effort continued to be heard around the country and in the councils of the federal government until in 1960 for the third time the consumer argument became an important part of the national political agenda. This time Presidential candidate John Kennedy included the consumer arguments in his campaign efforts. After being elected he put a major consumer program into motion.

In the first presidential message to Congress on Consumerism in March of 1962, Kennedy announced the creation of a post of Special Advisor to the President on Consumer Affairs; announced a Consumer Bill of Rights -- the right to safety, choice, information and to be heard --; urged the Bureau of Standards to lead the state and local weights and measures offices into the field of consumer protection; and reflected and helped create the atmosphere that produced the consumer movement of the 1960's. The currents that Kennedy tapped in 1962 are still stirring today, twenty years later.

In 1970 Esther Peterson, the first Advisor to the President of the United States on Consumer Affairs, took a job as Consumer Advisor to the President of Giant Foods, a major regional supermarket chain, and by that act underlined the expansion of consumerism into the board rooms of America. Today hundreds of companies have followed the lead of Giant Foods -- some of them actually creating viable consumer affairs activities. These efforts are the touch points with the business community for the American consumer movement.

In the Nov-Dec 1981 issue of the Harvard Business Review, the growth of the consumer movement of the 1970's is analyzed as if it were a maturing business. The authors of that article conclude that the consumer movement is growing effectively and has become a fixture of the American marketplace. The Ralph Naders and Esther Petersons of the 1960's have transformed into tens of thousands of independent consumer efforts. They form such a forest of consumer activity that the individual trees no longer stand out.

All of these applications of the consumer idea, particularly those of the past twenty years, can be seen as particular expressions of the flow of human energy described by Toffler. The split between production and consumption, the econ-

omically debilitating demand that more money come from the individual's consumer pocket to go into the same individual's producer pocket, has fueled the demand that production and consumption be viewed as interdependent. As our consumer selves seek to be more closely, directly and specifically included in the production process -- through, for example: consumer advisory programs; demands for more individually desirable food, health care, transportation, etc.; organized protection against the habit of passing through inflationary costs -- we are undertaking the specific efforts of healing the wound caused by the wedge between our production and consumption selves observed by Toffler.

A specific, graphic example of the process seems to be taking place in the energy field. Here the energy activists Amory and Hunter Lovins, energy consultants to Friends of the Earth, have proposed an arresting way of looking at energy and efficiency. Traditionally the energy system, whether it be oil, electricity, coal, atomic energy or any other, has focused its attention on supply. It has begun its analysis by looking at large production facilities and the distribution grids needed to bring energy to the "end user". Thus policy has tended to focus on how to get more energy out of the production facilities and into the grid.

The Lovinses argue that a more reasonable way to look at the energy picture is to look at "end users" (i.e., energy consumers). (One might say that in the energy field, "End use is the sole end and purpose of all production.") If one focuses on end use, the Lovinses have demonstrated, then weatherstripping, insulation, solar energy applications, are economically several times more efficient than increasing supply at the large processor end of the energy system. In pure economic terms, creating more kilowatts of energy capacity at the processing plant end costs several times more in dollars and cents than creating a comparable amount of energy capacity at the user end by cheaper and more efficient methods of energy use reduction. The figures are so dramatically attractive that, according to Amory Lovins, approximately 40 percent of the power producing companies in the country have begun programs to help their customers, through loans and financing arrangements, to cut down their energy bills by taking action at the user end of the energy system.

The same kinds of forces can be seen affecting other parts of the economy. In the food area meat consumption is sharply down while the consumption of "natural foods" is up over ten-fold in the past decade. Detroit's effort to hold onto the American automobile market through minor tinkering from the top has failed at least in part because foreign competitors have been better able to respond to the needs and desires of American consumers. (Only the Japanese auto makers conducted serious, routine, on-going sessions with American consumer activists in the early 1970's.)

If the serious examination and formulation of economic policy were to begin by examining each sector from the point of view of the "end user" (consumer), the results might be as dramatic as those reported by the Lovinses in the energy field. Looking at housing policy from the end user/consumer point of view -- not as a pool for creating jobs but as an activity for creating living space -- might solve our housing crisis. (Toffler reports that between 1970 and 1980 the hand power tool market shifted from a 70/30 ratio of professionals to amateurs to 70/30 amateurs to professionals. End users are building their own products with power tools.) In the health care field, individuals are moving with like speed toward self-help. (Toffler again reports the home pregnancy test as one of the fastest selling pharmaceutical products in Europe and the explosive growth of all kinds of home health care, from having babies to doing minor surgery.)

Designing a market and analyzing national economic policy from the end user point of view are both being made more possible by the communications revolution. The "cool line" of Whirlpool, Toffler reports, lets an individual refrigerator owner repair his own appliance with guidance from a person on the other end of an 800 number. Computer nutrition programs that customize menus to economic and health needs are being tried by both government and industry. In short, the whole economy is poised to be reconceptualized from the viewpoint of the end user/consumer.

In today's political economic climate it will only be a matter of time before some politician, political group or political leader stumbles upon a new set of economic formulations which will allow the presentation of a new economics. In 1934 Gardner Means suggested that if the consumer were not factored effectively into the economic equation it would only be a matter of time before we arrived at a point of simultaneous inflation and recession. We have arrived there and Gerald Ford, when he was President, named the condition: stagflation.

If large concentrated economic entities are tied into long-term financial arrangements -- labor and materials contracts; capital commitments; loans, etc. -- they have fixed costs that cannot be adjusted downward if their sales go down. So if sales go down they are under pressure to raise prices. The law of supply and demand is reversed and stagflation hits. In this kind of economic setting the world is ripe for a new idea.

In a time when supply side economics has been so thoroughly discredited; when politicians are searching for a new political currency to insure their tenure in public office; when the theory of Adam Smith, the trends observed by Toffler and the facts reported by advocates like the Lovinses seem to be running in the same direction; it does not take much to imagine a clever bright political demagogue or patriot stepping forward with a new economic theory called Demand Side Economics.

Demand Side Economics fits too nicely into our American heritage to be ignored much longer as a theory of political economics put forth by an ambitious politician. It is too congenial a way to look at the powerful social, economic and political trends sweeping the industrialized world to be left muttered in hot partisan battles for governmental leadership. It is, in short, whether under this name or some other, too hot a political idea -- the idea of reconceptualizing an entire economic policy from the point of view of the end user -- to expect that it will not be done.

What is most important about the waiting opportunity is the intrinsic power that it actually has. It does present some real opportunities for getting us out of the economic morass in which we find ourselves. However, if Demand Side Economics is going to avoid the pitfalls of its supply side cousin, if it is not going to be vulgarized, mutilated, lied about and found to be empty at the core, some very real, very important work needs to be undertaken now to flesh the idea out.

If this country is willing to make the effort to get out of the economic morass it is in the end user approach offers a starting point. But the researchers in consumer information, education and policy had better start now to develop the details of content essential to making this economic theory actually work at the time some politician with the power decides to use it. Failure to put content into the Demand Side Economics idea now will insure that when the opportunity comes to implement it there will be a failure as grand as that carried off by the supply-side politics of the Reagan administration.

From the beginning of this nation the prevailing economic wisdom grounded marketplace power in the hands of consumers. Prevailing practice seems more comfortable with the managed economic mercantilism that undermines consumer rights. In spite of our economic success we find ourselves now at a point of economic doubt with few of the old practices having much impact on improving our daily economic health. It is time and the opportunity will be taken to return to the economic wisdom that says consumers are to economics what voters are to politics. But put in place as an economic program, this idea and all that it implies had better have serious economic content provided by serious scholars or it will be merely one more passing economic fad on the road to national decline.

There is a task for consumer interest scholars to undertake.

Patricia Tuss

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## Abstract

Housing satisfaction among low-income families in South Phoenix, Arizona was examined. The majority of households, primarily homeowners, expressed satisfaction with their housing. Satisfaction with housing increased when they lived in single family detached houses, had more rooms in their home and had employed heads of household. Implications include suggestions which emphasize renovation of present low-income housing as opposed to relocation of families in new project housing.

Consumers of housing are facing new challenges in the market today. The economic dilemmas of rising interest rates, housing shortages, accelerating rents, increasing energy costs, and inflationary prices of housing services have changed the outlook for prospective renters and buyers of housing. Not only is there a need for housing generally, but in particular housing for low-income families is needed (14).

In addition to the economic forces affecting the housing supply, demographic factors have emerged to add to the problem, with larger numbers of the baby boom generation moving into the prime home-buying age group. Furthermore, there has been growth of single-person households due to later marriages, higher divorce rates, and increased longevity for widows. When these households occupy a unit, it is no longer available for a traditional family (13, 14).

Despite these conditions in the housing market today, American families continue to cling to the ideal of owning their own home (5, 9, 11). Yet, out of the total 58 million potential home purchasing families in 1979, approximately 44 million could not afford the payments (10). Those most affected consisted of first-time home buyers, younger buyers, the elderly, female-headed households and minorities.

## Hypotheses

Research with regard to housing satisfaction provides a diverse perspective in evaluating existing housing, encompassing both subjective and objective evaluations and relationships. In this study, housing satisfaction data obtained from low-income urban residents were analyzed. Respondents' demographic and housing characteristics were investigated with respect to their expressed housing satisfaction. Because of the

traditionally strong preference for owning a single family dwelling, it was hypothesized that families who presently owned their home would be more satisfied with their housing than renters would be. In addition, information with regard to future moving expectations and the desire to make structural changes in housing was examined. When dissatisfaction with housing occurs, it was hypothesized that two probable adjustment mechanisms would become apparent: dissatisfied residents will expect to move and/or desire alteration with their present housing. Furthermore, it was hypothesized that dissatisfied owners will be more likely than dissatisfied renters to alter their present housing, while dissatisfied renters will be more inclined than dissatisfied owners to expect to move.

## Housing Satisfaction

Subjective measurement of housing satisfaction involves the consumers' constant comparison of present housing expectations, housing aspirations and previous home experiences to perceived needs (1). Research indicates that housing satisfaction is dependent on a variety of physical and mental factors. Variables often explored include demographic characteristics of residents, housing quality, prior household experiences, expressed household needs, tenure status, residential mobility and structural alteration. These factors, singly and in combination, have been examined in housing satisfaction studies among low-income households.

These earlier studies of low-income urban households have reported numerous factors that appear to be related to housing satisfaction. For instance, satisfaction with housing has been found to decrease for one-parent families (9), larger household (12, 4, 9), blacks (2), and project-housed families with higher socioeconomic status. Satisfaction with housing increases with age of head (2), for residents of single family homes (2, 11) and for owners of single family homes (9, 11). In addition, two housing adjustments, propensity to move and desire to make structural changes in housing, may develop when housing dissatisfaction occurs (6).

Unfortunately, most of these studies have been conducted primarily in project housing in urban areas and private dwellings in rural areas (3, 9, 11). The sparseness of specific studies among urban low-income residents other than those conducted in project housing indicates a need for further inquiry. Project housing represents a unique environment unlike that of low-income

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residents living in privately owned and rented dwellings (3). Therefore, it is necessary to determine if similar relationships exist for low-income residents who do not live in project housing.

#### Methodology

To ascertain housing satisfaction and related housing data among low-income families, a random sample was selected in South Phoenix, Arizona (15). South Phoenix was chosen as the sample due to its high unemployment rate (30%), its higher percentage of minority populations (49% white, 33% Mexican-American, 17% black and 1% other groups), and its large numbers of low-income households. Eligible households included families with household heads between the ages of 18 and 65. Households with full-time student heads and retired heads were not included in the sample. Out of a total of 839 households identified in this procedure, 199 interviews were conducted and, of these, 81 interviews analyzed. This reduction in sample size occurred because of missing housing data and specific selection for low-income families in the sample.

The data were gathered during the period of November 1979 through April 1980. Personal interviews were conducted by four trained interviewers (2 male, 2 female) with an adult member of each household. In the event that respondents were Spanish-speaking, one female bilingual interviewer used a translated interview schedule.

#### Results

The purpose of the study was to ascertain low-income families' satisfaction with their housing and factors that may or may not affect housing satisfaction. A measure of housing satisfaction was obtained for each family by asking respondents the question, "In general, how satisfied are you with your present living quarters?" Use of general housing satisfaction opposed to satisfaction with specific aspects of the dwelling has been justified in similar studies (7, 8). From these studies, it appears that families tend to make major housing decisions based upon the overall assessment of the dwelling in spite of extremes in satisfaction with specific aspects of the dwelling.

The resent sample was found to be generally satisfied with their housing with 53 expressing satisfaction, 9 uncertainty and 19 dissatisfaction. Demographic characteristics and selected housing characteristics of the respondents are shown in Table 1. With a mean income of \$9,900, a large majority of the low-income families owned their own homes and lived in single family dwellings, which may be unique for an urban low-income sample. This is, however, characteristic of Phoenix urban development where central-city high rise apartments are uncommon.

Table 1. Demographic and Housing Characteristics of Sample and Head of Household

| Characteristic           | Sample<br>N=81 |
|--------------------------|----------------|
| <b>Demographic</b>       |                |
| Sex - Head               |                |
| Male                     | 73%            |
| Female                   | 27             |
| Race - Head              |                |
| White                    | 29%            |
| Black                    | 27             |
| Mex-Amer.                | 44             |
| Age - Head               |                |
| < 20                     | 4%             |
| 21-30                    | 24             |
| 31-40                    | 25             |
| 41-50                    | 15             |
| 51-60                    | 26             |
| > 60                     | 6              |
| Employment Status - Head |                |
| Employed                 | 69%            |
| Unemployed               | 31             |
| Marital Status - Head    |                |
| Married                  | 72%            |
| Separated                | 14             |
| Widowed                  | 12             |
| Cohabiting               | 2              |
| Income                   |                |
| < \$3,000                | 6%             |
| 3,000- 4,000             | 11             |
| 5,000- 7,499             | 19             |
| 7,500- 9,999             | 15             |
| 10,000-12,499            | 12             |
| 12,500-14,999            | 6              |
| 15,000-17,499            | 31             |
| <b>Housing</b>           |                |
| Tenure                   | 71%            |
| Own                      | 29             |
| Rent                     |                |
| Type of Living Quarters  |                |
| Apartment                | 12%            |
| House                    | 88             |
| Housing Satisfaction     |                |
| Satisfied                | 64%            |
| Uncertain                | 11             |
| Dissatisfied             | 25             |

To determine which factors affected housing satisfaction, the sample was divided into two groups: satisfied and dissatisfied. Those respondents who expressed uncertainty with their housing satisfaction were not included in the analysis. Due to the natures of the demographic and housing characteristics, either t-tests or Chi square tests were used, where appropriate, in the analysis of housing satisfaction.

Of the demographic and housing variables examined in the t-tests (Table 2), number of rooms was the only variable that appeared significant. Respondents reported greater satisfaction when there were more rooms in the home.

Further analysis of demographic and housing characteristics, tenure status and adjustment mechanisms with housing satisfaction was completed using Chi square (Table 3). In this analysis,



one demographic variable, employment status of head of household, was found to be significantly related to housing satisfaction. Employed heads of households were more satisfied with their housing than were unemployed heads of households. In addition, two housing characteristics were found to be significantly related to housing satisfaction, including type of living quarters and whether or not the respondents' homes were the right size according to them. When comparing types of dwelling units, respondents living in houses were more likely to be satisfied than apartment dwellers. When asked if their homes were the right size, satisfied respondents were more likely than dissatisfied respondents to feel that their homes were the right size. This is complementary to earlier finding that greater satisfaction existed when there were more rooms in the home.

Table 2. Differences in Housing Satisfaction Between Satisfied and Dissatisfied Low-Income Families By Selected Demographic and Housing Characteristics.

| Characteristics    | n  | t value | p     |
|--------------------|----|---------|-------|
| Demographic        |    |         |       |
| Income             | 70 | 0.66    | 0.311 |
| Occupation-Head    | 69 | -0.29   | 0.772 |
| Age-Head           | 70 | 0.35    | 0.727 |
| # in Household     | 69 | -1.55   | 0.126 |
| # of Children      | 61 | -0.39   | 0.695 |
| # Yrs. School-Head | 69 | -0.47   | 0.641 |
| Housing            |    |         |       |
| Spend Monthly      | 70 | -0.01   | 0.140 |
| # of Rooms         | 67 | 2.82**  | 0.006 |

\*\*Significant at .01 level

Tenure status was found to have no significant effect on housing satisfaction. However, it appears that larger proportions of owners than renters were satisfied, while there were proportionately more dissatisfied renters than owners.

Desire to make structural changes was not significantly related to satisfaction with housing. However, all three "move" variables were significantly related to housing satisfaction. Those families who did not expect to move within the next year were more likely to be satisfied with their housing than those who did expect to move. Similar results were found for respondents who expected to move within the next 5 years. Asked whether the family had moved within the past 5 years, it was found that a significant number of satisfied residents had not moved within the past 5 years. Reviewing analysis of "move" and "desire to change" variables for dissatisfied respondents, there is no clear tendency for dissatisfied residents to move, though, dissatisfied residents were quite likely to desire structural changes in their housing.

A more detailed examination of the variables "expect to move" and "desire to make structural changes" with housing satisfaction and tenure status is shown in Table 4. Significant differences were found between satisfied and dissatisfied

Table 3. Comparison of Selected Household Characteristics Between Satisfied and Dissatisfied Low-Income Families.

| Characteristics          |         | Responses      |                   | $\chi^2$  | df |
|--------------------------|---------|----------------|-------------------|-----------|----|
|                          |         | Satisfied<br>% | Dissatisfied<br>% |           |    |
| Demographic <sup>1</sup> |         |                |                   |           |    |
| Sex                      | Male    | 55             | 17                | 1.057     | 1  |
|                          | Fem.    | 18             | 10                | p=.3039   |    |
| Race                     | Black   | 24             | 4                 | 1.968     | 2  |
|                          | White   | 19             | 10                | p=.3738   |    |
|                          | Mex-Am. | 31             | 12                |           |    |
| Employment Status        | Yes     | 57             | 17                | 4.139     | 1  |
|                          | No      | 14             | 12                | p=.0419*  |    |
| Marital Status           | Mar.    | 57             | 16                | 1.800     | 2  |
|                          | Sep.    | 9              | 4                 | p=.4064   |    |
|                          | Wid.    | 9              | 5                 |           |    |
| Housing Living Quarters  | House   | 69             | 19                | 3.992     | 1  |
|                          | Apt.    | 5              | 7                 | p=.0430*  |    |
| Home Right Size          | Yes     | 56             | 11                | 7.006     | 1  |
|                          | No      | 18             | 5                 | p=.0081** |    |
| Tenure                   | Own     | 56             | 14                | 3.741     | 1  |
|                          | Rent    | 17             | 13                | p=.0529   |    |
| Move                     |         |                |                   |           |    |
| Moved Past 5 Years       | Yes     | 25             | 17                | 4.904     | 1  |
|                          | No      | 48             | 10                | p=.0268*  |    |
| Move Next Year           | Yes     | 6              | 12                | 9.447     | 1  |
|                          | No      | 67             | 15                | p=.0021** |    |
| Move Next 5 Years        | Yes     | 25             | 17                | 4.904     | 1  |
|                          | No      | 48             | 10                | p=.0401*  |    |
| Structure Change         | Yes     | 58             | 15                | .4603     | 1  |
|                          | No      | 24             | 3                 | p=.4975   |    |

<sup>1</sup>Refers to characteristics of head of household.

\* Significant at .05 level.

\*\*Significant at .01 level.

Table 4. Comparison Between Satisfied and Dissatisfied Homeowners and Renters in Their Propensity to Move and Desire to Make Structural Changes in Housing.

| Adjustments                                 | Satisfied       |            | Dissatisfied  |            |
|---------------------------------------------|-----------------|------------|---------------|------------|
|                                             | Own             | Rent       | Own           | Rent       |
| Expect to Move (1 yr. and/or 5 yrs.)        | 4<br>(8%)       | 8<br>(16%) | 3<br>(16%)    | 7<br>(37%) |
| Do Not Expect to Move (1 yr. and/or 5 yrs.) | 35<br>(68%)     | 4<br>(8%)  | 7<br>(37%)    | 2<br>(10%) |
| $\chi^2$ (df=1)                             | 16.23<br>p<.001 |            | 4.34<br>p<.05 |            |
| Desire Structural Changes in Housing        | 31<br>(61%)     | 9<br>(17%) | 8<br>(42%)    | 8<br>(42%) |
| No Desire Structural Changes in Housing     | 8<br>(16%)      | 3<br>(6%)  | 2<br>(11%)    | 1<br>(5%)  |
| $\chi^2$ (df=1)                             | .109<br>ns      |            | .281<br>ns    |            |

fied owners and renters in their propensity to move. Satisfied and dissatisfied owners were less likely to expect to move than satisfied and dissatisfied renters. No significant differences were found between satisfied and dissatisfied owners and renters in their desire to make structural changes. Despite the significance noted for dissatisfied owners and renters and the propensity to move, caution in making generalizations about this relationship is warranted due to the small cell sizes as indicated.

## Discussion

Tenure status was found to have no significant effect on housing satisfaction. Both owners and renters generally expressed satisfaction with their housing. Hence, the hypothesis stating that low-income owners would be more satisfied than low-income renters was not supported in this study. Despite this finding, a meaningful proportion of owners expressed satisfaction with their housing, while renters were more evenly divided in expressed housing satisfaction. It appears that high ownership rates among low-income Phoenix families may have a bearing on the larger proportion of reported satisfaction with housing in this study.

It was hypothesized that propensity to move and desire to make structural changes in housing would serve as adjustment mechanisms when dissatisfaction with housing occurred. Results here were mixed, with no tendency to expect to move, but strong tendencies for desiring structural changes. This may indicate that certain perceived constraints were operating which interfered with the family's propensity to move, but not with their desires to make structural changes when dissatisfaction occurred. Examples of such constraints might include lack of economic resources to make the move, inability and lack of time to find new or different housing and familial limitations. Evidently, dissatisfied families perceived fewer constraints when it came to the desire to make structural changes. There was a significant relationship found between those respondents expressing satisfaction with their housing and the propensity to move. Not only did larger proportions of satisfied respondents not expect to move in the next one to five years, but they also had not moved in the past 5 years. The latter finding may support the notion that residents who stay in any area longer develop a sense of place attachment resulting in higher levels of satisfaction with their home and neighborhood (15). However, the desire to make structural changes was not significantly related to satisfaction with housing, with a majority of both satisfied and dissatisfied residents expressing a desire to make structural changes in their housing.

Satisfied and dissatisfied homeowners were less likely to expect to move than satisfied and dissatisfied renters. This appears to support the hypothesis that owners were less likely to expect to move than renters. No significant differences were found between satisfied and dissatisfied owners and renters in the desire to make structural changes. Therefore, the hypothesis stating dissatisfied owners will be more likely than dissatisfied renters to alter their present housing was not supported. It is surprising that equal numbers of dissatisfied owners and renters desired structural changes in their housing, as renters may be restricted in their capacity to make such changes. Ascertaining the respondents' actual plans for making structural changes in housing may result in larger discrepancies between renters and owners regarding this question. It is interesting that similar numbers of satis-

fied owners indicate they do not expect to move and do desire structural changes in housing. This indicates that satisfaction with housing is a continually evolving process, with people constantly striving toward higher levels of satisfaction. Thus, remaining in one dwelling and having the ability to control the structure would seem to be indicative of the present sample's satisfaction with housing.

Of all the demographic characteristics examined, only employment status was found to have a significant relationship with housing satisfaction. Employment for head of household appeared to have a positive effect on satisfaction with housing, implying possible indirect effects of economic resources on housing satisfaction. Availability of discretionary income for employed low-income families may result in more satisfaction with housing because these families can better afford household expenses than unemployed families. Low-income unemployed families may experience dissatisfaction with life in general because of their inability to meet financial demands and improve their standard of living. Carry-overs of this discontentment into specific aspects of the family's environment might include dissatisfaction with housing.

House size appears to be an important factor in determining satisfaction with housing, specifically, the larger the home, the higher the level of satisfaction found. This finding could be correlated with other research indicating that smaller households, based on number of children or total number of family members, report more satisfaction with housing than larger households (4, 9, 12). Type of structure was found to have a significant effect on housing satisfaction, with respondents living in houses reporting more satisfaction than those in apartments. Single family dwellings, as opposed to apartments, may provide more perceived or actual indoor and outdoor space, resulting in higher levels of satisfaction for residents.

## Summary and Conclusion

Previous research of housing satisfaction indicated its relationship to specific demographic characteristics, housing characteristics, tenure status, residential mobility and structural alterations and additions. However, specific studies among low-income families in urban areas have been conducted primarily in government sponsored project housing.

The present study has examined housing satisfaction among randomly selected low-income families in South Phoenix, Arizona. The majority of the households, primarily homeowners, expressed satisfaction with their housing. Respondents expressed significantly more satisfaction with housing when their home had more rooms and when they were living in a single family detached house as opposed to an apartment. Families with employed heads of household were significantly more satisfied than families with unemployed

heads. Examination of two adjustments to housing dissatisfaction reveal a tendency for dissatisfied residents to desire structural changes in their housing but no clear tendencies for the propensity to move. Significant differences were found between owners and renters in their propensity to move, with satisfied and dissatisfied owners less likely to expect to move than satisfied and dissatisfied renters.

Knowledge of subjective housing evaluations, via housing satisfaction studies, may serve as a guide in determining perceived housing needs for South Phoenix families. Along with objective evaluations of housing, plans can then be initiated for programs which will help low-income families achieve housing in line with their perceived needs and wants. Past housing programs have been developed on the basis of untested generalizations relative to the needs of low-income families which resulted in the use of standard solutions for housing problems without input from potential users of proposed housing.

It appears that most low-income families in the present study were satisfied with their housing. This satisfaction was apparently related to the fact that most families lived in single family dwellings, although no significant differences were noted between owners and renters. The importance for residents who stay in one area for a length of time with no propensities to move may have implications for future government programs. Rather than move low-income residents to project housing, where housing satisfaction has been found to decrease over time (4), it may be more feasible to implement programs for renovation of existing housing and development in existing neighborhood. Place attachment (15) may be a stronger influence for staying in an area than once thought. Inadequate and overcrowded units apparently suffice for some low-income residents, provided they have social elements such as neighbors and friends available to them (3). Further examination of place attachment among low-income urban families may provide new insights into understanding household and neighborhood behavior patterns in response to housing satisfaction. Strong preferences for single family homes may require planning multi-unit environments which have some of the desired attributes of the single family dwelling, including sufficient indoor and outdoor space, but are more economical and efficient in today's housing market.

Because the present study examined housing satisfaction in the global sense, an area of future research might entail investigating specifically what housing and demographic characteristics are causing dissatisfaction for low-income residents. Then, alternatives for improving these conditions can be developed, while still maintaining the positive aspects of the dwelling. Involving low-income families in the planning process may result in higher user satisfaction. Furthermore, it would be beneficial to determine ways in which low-income families adjust when housing dissatisfaction occurs. Two possible adjustments, resi-

dential mobility and residential alterations or additions, may not be possible for low-income families due to economic and social constraints impeding these activities. Taking this into account, what kinds of familial adaptation occurs in dealing with housing dissatisfaction? Therefore, housing satisfaction studies can provide the impetus for improving existing housing and planning for future housing in an attempt to meet housing needs of low-income families.

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"The Consumer Movement in Transition: Threats, New Directions, and Potential Responses"  
Joseph Uhl, Purdue University

Good afternoon. Welcome to this general panel session entitled The Consumer Movement in Transition: Threats, New Directions, and Potential Responses. I'm Joe Uhl, from Purdue University. Let me introduce the panel members:

1. Robert O. Herriman

and

2. Mary Gardiner Jones

Our plan is for each panelist to present their views in five minutes. This will leave us about one half hour for an open dialogue between the audience and the panel. The panel has been instructed to be insightful, stimulating and provocative. The audience is invited to respond in kind.

The theme of this session is summarized by the question, "Where do we go from here?" As consumer educators, researchers and policy makers, most of us were nurtured in the fertile and friendly consumerism soil of the 1960's. We cut our intellectual teeth on that decade's consumer movement. Our mind-sets and programs are still rooted in that period.

The 1970's might be called the winter of our discontent. The environment for consumer programs shifted in ways that are not altogether clear even yet. We made some substantive and some cosmetic adjustments in our programs. By the 1980's, it was clear we were in a new, less friendly environment and the older consumer formulas were not performing successfully.

The cross-currents of this new environment for our programs include the new Federalism, deregulation, neo-conservatism, and supply-side economics. These policy changes have thrust the consumer movement - and our consumer programs - into a critical transition stage. We cannot return to the past. Nor can we be certain what the future will bring. Nevertheless, we are presumably adaptive to change.

The question, then, is what program adjustments, new directions and thrusts should we be looking at for the 1980's? How can we plan our educational, research and policy programs to meet the future needs of consumers?

For the answers to these questions, let's turn to our first panelist:

PANEL: THE FUTURE OF CONSUMER PROGRAMS

Panelist -- Robert O. Herriman

After attending the conference last week on the Future of Consumerism (Bloom 1982), I feel I have a better idea where we are right now. I'm still not entirely clear where consumerism may be going.

The discussion at the Conference indicated that there have been cut-backs in governmental consumer protection personnel at all levels. There seems, however, to have been little dismantling of the basic laws or of most of the regulations on which consumer protection efforts are based. Regulation proposals which were still pending have, however, been seriously affected.

All the evidence available suggests that public support for health-safety and environmental regulation remains high. At the same time, however, the public seems critical of governmental regulation in general. It is seen as intrusive, costly and of questionable effectiveness. Despite these conclusions about regulation in general, the public supports government action in many specific health-safety and environmental areas. Such splits in attitudes toward a part and the whole are not unknown in Social Science. Most people, for example, think the Congress does a poor job, but feel that their own representative does a good one.

The administration's conclusions that it has a mandate for deregulation seems to be based on faulty evidence--or on dependence on only part of the survey evidence.

It is widely believed that with stalemate at the Federal level, action will shift to the local level. In their recent Harvard Business Review Article, Bloom and Greyser (1981) argue for this view. They suggest there will be a rise in local activism and label this phenomenon "participatory consumerism."

It should be recognized that action at the local level depends on the availability of both leadership and resources. The Consumer Movement must compete with other groups for both leadership and resources.

Work which Rex Warland and I (1981) have done and which others have done suggests that activists in one area at the local level are activists in others. In crisis situations, when new needs arise, the activists typically are those with previous experience in other areas. This suggests a shift of attention from issue to issue over time. When efforts are devoted to other causes they are not available to promote the cause of Consumerism.

The future of the Consumer Movement at the local level depends not only on the availability of leadership and resources, but also on the existence of crises and issues which will motivate action and mobilize individual participants.

At the local level, these issues often seem to be single issues: condo conversions, demands for rent control and controversy over cable TV franchising. These issues seem to result in the rise of ad hoc groups focused solely on the issue. These organizations lack the scope of

the national and state consumer organizations which we're used to. We may not even think of them as consumer organizations, in some cases.

Because the action at the local level is so scattered and because we often fail to recognize some of it as consumer action, there probably is a lot more going on than most of us realize or recognize.

Significant and effective activism at the local level may lead to serious strains on the "new federalism." Major business firms do not want a multiplicity of diverse local laws. These seriously complicate doing interstate business. If there is significant legislative action at the state and local level, it seems certain that business ultimately will press for federal preemption of these laws.

These changes and other changes in the economy have significant implications for consumer education. They provide further evidence of the need for some of the changes in the content and emphasis of the consumer education curriculum which have been suggested (Herrmann, 1982). I feel that there are three areas which deserve particular attention:

- o dealing with economic instability
- o deciding on public goods spending
- o analyzing public policy issues

The upheavals in our economy and the openness of our economy to shocks in the international economy suggest we are in for a period of economic instability. Consumer education needs to give new thought to what strategies of buymanship and money management it can provide to help people deal with these instabilities.

Public vs. private goods is a major issue underlying much of the political controversy of the past few years. Consumer education, however, has had little to say on the topic of public goods. It has largely ignored the topic and has neglected the role of public goods in adding to the quality of life and as substitutes for private goods (Herrmann, 1982). Joe Uhl pointed out the need for more attention to public goods in discussing the results of the Purdue Consumer Education Study over 10 years ago (Uhl). There also is a need for attention to measures for ensuring the quality of public goods--ombudsmen and governmental complaint mechanisms. Since we devote a significant share of our resources to providing public goods we need to be certain they are provided well.

The two previous areas suggest and support the need for the third. There is a clear need for more emphasis on the analysis of consumer protection policy issues. We need more analytical approaches to issues: What is the nature of the problem? What alternative remedies are available? What are their costs and benefits? How will these costs and benefits be distributed?

And so on. This topic seems especially appropriate in the present situation with so many existing programs being questioned and so many proposed ones being aborted.

We also need to broaden our perspectives concerning which issues are important. What, for example, is the consumer interest on the issue of import controls? How are consumers affected? Is this a consumer issue?

I am pleased to see several papers on policy analysis on this year's program. There is a clear need for effort in the area.

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PANEL: THE CONSUMER MOVEMENT IN TRANSITION:  
THREATS, NEW DIRECTIONS AND POTENTIAL  
RESPONSES

Panelist: Mary Gardiner Jones

Much has been written during the past few years on the future of the consumer movement. Predictably, those individuals who are connected to the movement in some way as observers or participants tend to find its future positive. Those who are on the receiving end of the movement's concerns, criticisms or demands for action tend to see its future as less rosy and certain.

I believe the new directions and future success of the movement depend in large part on how the movement sees its role. If the movement defines the consumer interest primarily in traditional protectionist terms, it is obvious that the current decline in the movement's clout will not quickly be reversed. If, on the other hand, the consumer interest is seen, as I believe it must, as encompassing the substantive elements of

consumer welfare, then the movement has an important and significant role to play to advance the consumer interest in decision making affecting consumer welfare.

The Consumer Movement of the 60's and indeed, with the exception of FDR's New Deal, in most other periods in its history, has been essentially a Consumer Protection Movement. As such it has been a movement which has thrived--and in large part depended--on crisis and on the public outrage generated by the crisis in order to be an effective voice for change. It is a movement which too often has defined consumer interests procedurally in terms of rights, responsibilities, redress opportunities and legal protection. Because of its legal and crisis orientation, it has had a transient base and hence a transient constituency and--more important--has been only an intermittent force as a change agent.

As Federal Trade Commissioner, Michael Pertshuk, in his most perceptive Berkeley lectures recently observed:

"Public outrage flickers and burns with a short candle. It is difficult to sustain, easily diverted, capable at best of being focussed on a particular legislative remedy only briefly, while the producer interest perseveres. Outrage over consumer issues is easily crowded off the national agenda."

This consumer protection role of the consumer movement is clearly in an ebb condition. In part this is so because the movement achieved much of its agenda in the 60's. In part, its power is ebbing because the problems with which consumers are concerned today do not fit so easily in the public's mind within the "win-lose", "we-they", "white and black hat" syndrome framework of consumers vs corporate/government decision makers. It is not as easy to evoke public outrage when the target is not corporate misdeeds but the need to balance or weigh conflicting needs and demands.

But, I do not believe that the consumer movement is only a consumer protection concept fueled by--and primarily concerned with--unfair and deceptive marketplace practices and actions. The consumer movement is fundamentally a movement to give voice to the consumer's substantive interests in their enjoyment of the broad range of goods and services--both public and private--which are available in our society. This is a broadly based concept grounded on affirmative consumer needs and concerns rather than on corporate excesses and violations of consumer welfare. This concept of the consumer interest focusses on consumer opportunities not on corporate misdeeds.

Proponents of the substantive interests of consumers do not need to rely on scandal or crisis to arouse their consumer constituents. They rely--or must in the future--on careful

selection of the national issues which have the greatest impact on consumer welfare. Their issues are those which evoke the greatest concerns among consumers to ensure that the goods and services of the public and private sectors of our society and economy enhance rather than impair the quality of their lives. Health care, energy, inflation, genetics and microbiology, government regulation, education, and legal services are high on the agendas of all consumers today. Their concerns are access, value, quality and survival. Consumers know better than most that housing and education, the bedrock of American society, are becoming seriously diminished options for more and more consumers. They understand, however dimly, the potential consequences of our constantly expanding scientific research, about the role of chemicals in our bodies and on our ecology not to speak of the impacts of developments being made in the field of genetic and microbiology research. The new information technologies hold enormous promise to consumers for information and self actualization if they can be harnessed to consumer needs and interests.

Consumers do not need crises or exposes to recognize the difficulties they are experiencing in these areas. Indeed it is frequently the business community which uses expose and scandal to resist government efforts to deal with these issues.

A consumer movement solidly focussed on identifying and analyzing the consumer needs and concerns in each of these issues and researching the impact on consumers of proposed actions to meet these needs and concerns is not--and does not have to be--a movement which feeds on conflict and expose.

It is a movement which can look to the executive departments of government charged with developing national policy for its allies rather than to the regulatory agencies whose mandate is to punish the law breaker or set standards for the law abiding to prevent them from overstepping legal boundaries.

It is a movement which can be comfortable with discussion and negotiation while not shying away from disagreement, advocacy and contention where that is necessary.

Its leaders can stimulate another type of public outrage, born of failure to recognize the reasonableness of its demands and concerns rather than to outrage based on corporate or government villainy. The "cures" it seeks do not lie in penalties or court orders but in attention to the health needs of the elderly, the financial aid needs of the middle income family with college-age sons and daughters, the nutritional needs of all citizenry but particularly of the children of the ghetto and of the rural poor and to the purity and safety of the environment in which we live and the food and water which we ingest.



It is an interest in which the connective tissue between the need and the remedy is obvious, unlike the class action or no fault legislative remedies which failed because they were unattached in the public press and the public mind to specific injury.

Pertshuk may be right when he writes "I do not believe that consumer issues will ever be central to the political debate in this country" if he is thinking of them as the old consumer protection issues of the 60's. But he would never deny that issues like health care, nursing care or energy, are central to the public debate and each has its consumer interest component which can be easily communicated to citizens and translatable by them into actions of their choice.

It is this consumer interest element which must be fleshed out for consumers for every issue with which they are concerned so that they can carry their own banners in the debates of their choosing.

The national debate on issues of concern to consumers is too often the captive of those who view the issue with a single focus which obscures avenues for accommodation and consensus. Consumers are the users of the products which business seeks the freedom to make without responsibility for the lethal externalities of their actions. They are also the consumers of the air and space and the fouled products which the single issue proponents seek to protect equally single-mindedly and also without attention to the externalities of their solution. It is the consumer interest which bridges these polarities and which insists that the debate focus on both sets of externalities before decisions are reached. Without the consumer voice, there is no force which seeks to wrestle with both consequences and which compels decisions which need not be win-lose but which seek to give effect--where this is possible and desirable --to the consensus of those interests recognizing that compromise or accommodation, like perfection, is not always possible, and in some cases, not even desirable. There are some issues of health and safety which cannot be traded off or accommodated.

Consumer groups have battled for--and won--a formal place in the decisionmaking processes of public and private agencies. But too often in the past, their victory fell short of the mark. Consumer activists and professionals lacked the resources to match their contentions against the voluminous documentation marketed by corporate attorneys, research technicians, computer specialists and governmental political and budget analysts. By the same token, arguments of consumer professionals and consumer leaders with opportunities to make policy inputs in legislative chambers or within corporate offices too often failed because of a similar lack of solid information to identify and demonstrate the consumer interests in the issue at hand. The same lack of resources affected the success of

consumer organizations in mobilizing and building their constituency strengths. Without an ability to serve their consumer members' information needs, they encountered difficulties in building cohesive memberships. It was not enough to alert their members to a defective auto part or to effect a government recall order. Consumer groups also needed to help their members understand the basics of auto safety, their interests in it, the cost of it to them and their options or alternatives to government mandated standards. The absence of carefully documented analyses of consumer interests thus contributed to the diminution of the power and influence which consumer organizations had been able to exert in the sixties and early seventies.

Consumer organizations today are moving towards coalition building and grassroots organizing.

Research and analysis is the building block which the coalition building and grass roots organizations need in order to prevail. It is the soft voice and the big stick which Teddy Roosevelt insisted was the essential formula in order to be counted in international and national debate. Knowledgeable consumers looking to their leadership to ensure that their voices are being listened to and heeded by decision makers are the essence of any grass roots democracy reawakening which Pertshuk and others rightly point to as the central feature of the 1990s.

If the consumer movement is viewed, as I believe it must be, as concerned with ensuring that the interests of consumers are understood and responded to in public and private decision making, then panel discussions on the future of the movement will be as obsolete and irrelevant as debates on the future existence of businessmen and workers. We will instead be debating what are the interests of consumers in particular issues and what are the most fruitful ways of giving effect to these interests. This is the goal of the Consumer Research Institute which I have founded.

CIRI will serve the consumer leadership and their constituents through research, information and discussion. CIRI will organize and conduct consumer round tables, conferences and workshops to facilitate dialogue among consumer groups and between consumers, labor, business and government leaders.

CIRI will maintain systematic, structured contacts with consumer interest groups both to determine its priorities and to test its research assumptions. In order to ensure the continuity of these contacts, CIRI will have a Consumer Priority Advisory Committee reporting to its President which will be a permanent body composed of consumer organization leaders. This Committee will provide CIRI with information about ongoing consumer concerns and will help to evaluate and test CIRI's research projects.

It is my hope that CIRI will be the forerunner of similar research organizations throughout the

country all committed to serving the consumer interest.

This is the new direction which I see the consumer movement taking. It is a direction which is long overdue and one which will achieve for the movement a strength and stability both of influence and membership and deepened credibility among decision makers which is long overdue.

THE CONSUMER CONTENT OF PRIME-TIME TELEVISION:  
IMPLICATIONS FOR CONSUMER EDUCATORS

Wendy L. Way, University of Wisconsin-Madison<sup>1</sup>

Abstract

This paper reports the results of a study conducted to identify specific consumer behaviors exhibited by characters in prime-time television programs (excluding advertising) that may be impacting on the effectiveness of formal efforts to educate consumers. A random sample of prime-time television programs aired by the three major television networks was reviewed and coded using a content analysis instrument developed by the researcher.

During a Mork and Mindy episode, a salesman knocks on the door and announces that today is Mork's lucky day. For only a few measly pennies Mork can protect himself against all kinds of disasters: fire, accidents, twisters, even falling meatloaf. As Mork prepares to sign the contract, Mindy enters and admonishes, "Mork, you never sign anything before you read it."

During Harper Valley PTA, daughter Dee is sitting on the living room couch when Stella, her mother, comes home. Stella is disappointed because her bonus check for selling cosmetics did not come in the mail that day. However, Dee is all excited about a winter jacket she saw in a store window. She knows she'll drop dead of embarrassment in last winter's jacket and just has to have it. But Stella says last winter's jacket is perfectly good and the bonus check should go in the bank so they'd have a "little nest egg" for a change. What happens later when the check comes? Stella announces, "There comes a moment in every woman's life when there's only one thing that's better than earning money--spending it. And that's when her only daughter is bursting for a 100% goose down jacket."

During Dallas, granddaughter Lucy meets her medical student boyfriend at school and tells him she has a surprise for him. She says he works too hard; that he shouldn't have to and it's not fair. She then presents him with a set of brand new medical books. He looks dismayed and tells her she shouldn't have done so. She says the books are a better investment than used ones would be and she does a lot of things she shouldn't do anyway.

What do all of these scenarios have in common? One similarity is that all took place in commercial prime-time television series aired last year. Another is that each contains messages that have a distinct relationship to topics typically addressed in consumer education programs. Some of the messages are positive; supportive of concepts typically taught. Others are negative or contrary to what is typically taught. The scenarios are also representative of many that

were viewed and coded as part of a study conducted to identify specific consumer behaviors exhibited by characters in prime-time television programs (excluding advertising) that may be impacting on the effectiveness of formal efforts to educate consumers.

Background and Theoretical Framework

The need for consumer education has been recognized in the United States for many years now. For example, in 1979, the last year for which figures are available, 38 states had policies related to its teaching in public schools. Most of these policies included specific requirements that students receive instruction, most often in the secondary grades but in some cases elementary grades too (1). These requirements represent a substantial investment of both human and financial resources, yet many questions still remain about the effectiveness of efforts to provide consumer education. The Hawkins study (8) is one case in point. In it, high school graduates who had not taken a consumer education course were found to behave no differently in the marketplace than graduates who had taken one.

Part of the difficulty in providing consumer education and in measuring its effectiveness is that formal school programs represent only one means by which people learn how to behave as consumers. Simple as it sounds, socialization theory, which deals with this overall process by which people acquire patterns of cognition and behavior (6), has only recently been proposed (15) and used (7) as a vehicle for studying consumer behavior. Yet it is likely this theory, as it is more fully conceptualized and explicated in future years, will hold the key to improved effectiveness of efforts to provide consumer education.

Basic to socialization theory is the view that norms, attitudes, motivations, and behaviors are transmitted from specific sources, known as socialization agents, to the learner (12). These agents include schools, family, peers, and the mass media. Though it has been recognized for many years that mass media serve as agents of socialization (2), empirical evidence has only recently been produced that specifically documents television's role in adolescent consumer socialization. In a complex study, Churchill and Moschis (7) found that television was an especially important agent in teaching adolescents the "expressive" elements of consumption. However, the documentation was based upon data related to amount of television viewing rather than the content of what was viewed.

In order to clarify the nature and extent of consumer education-related content shown in television programs, the study about to be described was designed to code consumer behaviors exhibited

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by characters in prime-time programs aimed at entertaining. It was based on existing consumer socialization theory and also represented an attempt to add this theory by providing empirical data that would contribute to a more thorough understanding of the nature of television as a socialization agent. The results should be of use to teachers, teacher educators, curriculum developers, and others involved in the consumer education enterprise as they seek ever more effective ways of educating consumers.

### Objectives

Some objectives of the study were to:

1. Develop a valid and reliable instrument that could be used to code consumer behaviors exhibited by characters in television programs.
2. Determine the extent to which various types of consumer behaviors were exhibited by characters in nationally aired prime-time commercial television series.
3. Draw implications from the findings for planning and implementing consumer education programs and for carrying out further related research.

### Methodology

Two major procedural phases were used to carry out the study. The first involved designing the instrument to code consumer behaviors exhibited by television characters and the second consisted of viewing, coding, and summarizing the behaviors portrayed in a sample of prime-time programs.

### Instrumentation

The instrument developed was designed using the well-known research technique content analysis. According to one of its earliest users, this methodology allows for the "objective, systematic, and quantitative description of the manifest content of communication" (4). Born in mass communications, the technique has since been utilized in many of the other social sciences. As far as could be determined, however, it had not previously been used in the analysis of consumer portrayals in television.

The first step in developing the instrument was to review a wide array of existing literature, including curriculum guides and textbooks, to identify concepts typically addressed in secondary consumer education programs as well as consumer behaviors related to each of the concepts (3, 9, 10, 14). Two types of behaviors were identified: some that were nonjudgmental (neither positive nor negative) such as "purchases food," "eats at a restaurant," or "applies for credit" and some that described realistic and/or effective consumer functioning such as "compares interest rates of various forms and sources of credit" or "admonishes nutritional value of food when purchasing it."

Effective consumer functioning was defined as "making choices regarding the use and conservation of available public and private resources in a manner consistent with individual values and societal needs" (16, p. 5).

These concepts and behaviors were arranged on a form with directions for coding them. Neutral behaviors were coded by simply checking the behavior exhibited. Those involving a judgment were coded by recording a plus (+) if a character exhibited the behavior as it was written, a minus (-) if the opposite was exhibited, or a zero (0) if a behavior shown was related but neither clearly positive or negative.

Content validity of the instrument was determined by submitting the developed instrument to a panel of five experts in consumer education who were asked to indicate whether a) the concepts included were representative of those taught in secondary consumer education programs, b) whether the consumer behaviors listed were related to the concepts intended, and c) whether the consumer behaviors intended to describe effective consumer functioning did so. Only concepts and behaviors that received affirmative responses to applicable questions from four out of five evaluators were retained. The final instrument included four major conceptual areas: choice-making, financial management, buymanship, and rights and responsibilities in the marketplace. Related to the concepts were 30 nonjudgmental behaviors and 160 that described effective consumers.

To establish reliability of the instrument, behaviors of three television characters in each of three separate programs were coded independently by the researcher and an assistant. Correlations reflecting agreement between coders were calculated using the Holsi formula (13). Overall reliability for the entire instrument was .90, indicating 90% agreement between coders. Estimates for each of the conceptual areas were: .86 for choice-making, .98 for financial management, .89 for buymanship, and .97 for rights and responsibilities in the marketplace.

### Data Collection

Data for the study were collected by viewing and coding a non-random sample of prime-time television programs aired by the three major television networks (ABC, CBS, NBC) between November, 1980 and March, 1981. The researcher and one assistant did all the viewing and coding. A home video recorder was used to help ensure accuracy of coding and videotapes were erased afterwards. Programs included in the sample were limited to half hour and hour-long episodes of on-going series shown between 7:00 and 10:00 p.m. (prime-time in the midwest). Neither the researcher nor the assistant coded more than two episodes of any one series.

Illustrated in Table 1 is the amount of television programming coded using the four major conceptual area sections of the instrument. A total of 43 programs were coded using the choice-making, financial management, and rights and responsibilities

Table 1. Amount of Programming Coded

| Conceptual Area                 | NETWORK         |       |                 |       |                 |       |                 |       |
|---------------------------------|-----------------|-------|-----------------|-------|-----------------|-------|-----------------|-------|
|                                 | ABC             |       | NBC             |       | CBS             |       | Total           |       |
|                                 | No.<br>Programs | Hours | No.<br>Programs | Hours | No.<br>Programs | Hours | No.<br>Programs | Hours |
| I. Choice-Making                | 16              | 10.5  | 10              | 7.5   | 17              | 11.0  | 43              | 29.0  |
| II. Financial Management        | 16              | 10.5  | 10              | 7.5   | 17              | 11.0  | 43              | 29.0  |
| III. Buymanship                 | 58              | 36.0  | 32              | 26.5  | 56              | 38.5  | 146             | 101.0 |
| IV. Rights and Responsibilities | 16              | 10.5  | 10              | 7.5   | 17              | 11.0  | 43              | 29.0  |

sections and 146 programs (the same 43 plus another 103) using only the buymanship section. This coding strategy was employed since the buymanship section of the instrument was the most extensive of the four parts and since it was hypothesized that more of the consumer behaviors shown would be of this type than of those in the other three areas. Adjusting for numbers of programs coded, this was found to be the case for the nonjudgmental behaviors but not those reflecting effective/ineffective consumer behaviors.

Behaviors of three major characters in each program were coded, representing a total of 129 character observations related to choice-making, financial management, and rights and responsibilities and 438 observations related to buymanship. Though an attempt was made to code about equal amounts of programming on each of the three networks, the amount available on NBC that met the sample criteria was less than that on the other two networks.

#### Findings

The data collected for the study were summarized by totalling numbers and percentages of times the two types of consumer behaviors were exhibited by the characters. These included the nonjudgmental behaviors as well as those reflecting effective or ineffective consumer functioning. Demographic and contextual information related to the characters and the television programs was also collected as part of the study but will not be reported here due to time (and space) limitations.

#### Choice-Making

All behaviors coded in the choice-making section of the instrument were ones reflecting effective/ineffective consumer functioning. These behaviors were related to the concepts values and goals, needs and wants, and use of the decision-making process. Examples of behaviors coded are: "acts in accordance with personal or family values related to consumption," "fulfills family

needs before individual and family wants," and uses a systematic process for making decisions."

The numbers and percentages of times positive, negative, and neutral choice-making behaviors were observed are shown in Table 2. As can be seen, about three-fourths of the behaviors observed in this conceptual area were related to use of the decision-making process. In addition, it can be seen that more than twice as many negative as positive behaviors were identified that related to all three of the concepts. To illustrate, twice as often as not, television characters observed were seen making consumer decisions without considering such things as finances available, the chain effects of their decisions, or factors that were affecting their decision-making such as marketing techniques or a peer group.

#### Financial Management

The financial management section of the instrument included both nonjudgmental behaviors and behaviors reflecting effective and ineffective consumer functioning related to the concepts budgeting, savings and investments, estate planning, credit, banking, record keeping, insurance, contracts, and taxes. Abbreviated examples of effective/ineffective behaviors coded are: "follows a spending plan," "avoids 'get-rich-quick' schemes," "has made a will," "compares interest rates and collateral requirements for various forms and sources of credit," "makes regular payments on debts," "uses banking services ethically," "is aware of family financial status," "compares appropriateness of insurance policies," "reads contracts before signing," and "communicates concerns about taxes to appropriate public officials."

Only a small number of nonjudgmental behaviors related to financial management were identified. In the 129 character observations during 29 hours of programming, the act of saving money was seen only once and making an investment twice. Instances of using, talking about, or extending credit were seen nine times and using a checking account three. No character was observed actually purchasing insurance though insurance was discussed twice. Only one instance of paying taxes was

Table 2. Numbers and Percentages of Behaviors Observed Related to Choice-Making

| Concept                 | Positive Behaviors |      | Negative Behaviors |      | Neutral Behaviors |     | Total |       |
|-------------------------|--------------------|------|--------------------|------|-------------------|-----|-------|-------|
|                         | N                  | %    | N                  | %    | N                 | %   | N     | %     |
| Values and Goals        | 7                  | 3.0  | 16                 | 6.8  | 4                 | 1.7 | 27    | 11.5  |
| Needs and Wants         | 10                 | 4.2  | 17                 | 7.2  | 1                 | .4  | 28    | 11.8  |
| Decision-Making Process | 48                 | 20.3 | 117                | 49.6 | 16                | 6.8 | 181   | 76.7  |
| Total                   | 65                 | 27.5 | 150                | 63.6 | 21                | 8.9 | 236   | 100.0 |

observed and taxes were discussed only three times.

Fewer effective/ineffective consumer behaviors were observed that fit in the financial management section of the instrument than in the other three conceptual areas. The numbers and percentages of these behaviors identified are shown in Table 3. The largest percentage of the behaviors seen were related to budgeting and almost three times as many were negative as positive. Three times as many negative as positive behaviors related to savings and investments were also observed. Although for the financial management section as a whole, almost twice as many negative as positive behaviors were identified, it is interesting to note that more positive than negative behaviors were seen that related to three of the nine concepts: record keeping, contracts, and taxes. Also interesting is that no behaviors of any kind related to estate planning were observed and only very small numbers related to banking and insurance.

#### Buymanship

The most extensive section of the instrument was that dealing with buymanship. Concepts included consumption of personal goods and services (food, clothing, housing and furnishings, transportation, recreation and leisure, health care, and other services), use of information sources, shopping techniques, and consumption of public goods and services. Examples of behaviors coded in this section include: "is aware of cost of eating meals away from home," "acts to reduce energy costs of housing," "checks on credentials of medical personnel," "shows awareness of the purpose of advertising," "avoids impulse buying," and "uses public property and services prudently."

All of the nonjudgmental behaviors in this section of the instrument related to the consumption of personal goods and services. Some of the most interesting findings of this kind were:

Food. Characters on television were shown eating at restaurants and other places away from

Table 3. Numbers and Percentages of Behaviors Observed Related to Financial Management

| Concept                 | Positive Behaviors |      | Negative Behaviors |      | Neutral Behaviors |      | Total |       |
|-------------------------|--------------------|------|--------------------|------|-------------------|------|-------|-------|
|                         | N                  | %    | N                  | %    | N                 | %    | N     | %     |
| Budgeting               | 11                 | 8.4  | 31                 | 23.9 | 6                 | 4.6  | 48    | 36.9  |
| Savings and Investments | 3                  | 2.3  | 9                  | 6.9  | 2                 | 1.5  | 14    | 10.7  |
| Estate Planning         | 0                  | 0.0  | 0                  | 0.0  | 0                 | 0.0  | 0     | 0.0   |
| Credit                  | 6                  | 4.6  | 14                 | 10.7 | 2                 | 1.5  | 22    | 16.8  |
| Banking                 | 1                  | .8   | 2                  | 1.5  | 1                 | .8   | 4     | 3.1   |
| Record Keeping          | 7                  | 5.4  | 5                  | 3.9  | 3                 | 2.3  | 15    | 11.6  |
| Insurance               | 0                  | 0.0  | 4                  | 3.1  | 0                 | 0.0  | 4     | 3.1   |
| Contracts               | 7                  | 5.4  | 5                  | 3.9  | 1                 | .8   | 13    | 10.1  |
| Taxes                   | 3                  | 2.3  | 2                  | 1.5  | 5                 | 3.9  | 10    | 7.7   |
| Total                   | 38                 | 29.3 | 72                 | 55.4 | 20                | 15.4 | 130   | 100.0 |



home about twice as often as eating at home. When they ate at a restaurant, 60% of the time it was at the more formal sit-down type and 40% of the time the cafeteria or fast food. Only one in 14 times, however, were characters shown paying for what they ate at restaurants. Finally, characters were shown eating, purchasing, serving, and preparing just about as much non-nutritious as nutritious food.

Clothing. Though television characters were not shown purchasing clothing often, never were they shown making a complete transaction when they did (actually paying for their merchandise).

Housing and Home Furnishings. Characters were observed carrying out housing rental transactions 12 times as often as purchase transactions yet about equal percentages of characters lived in single family homes and in rented apartments. No characters were observed purchasing home furnishings. The value of housing and home furnishings shown was most often moderate, next most often expensive, and least often inexpensive.

Transportation. The single auto was shown as the most often used form of transportation. Planes and taxis were both used next most often but only one-fifth as often as autos. Buses, motorcycles, and carpools were the least often used forms of transportation. Characters were shown borrowing automobiles one and one-half times more often than buying and nine times more often than renting them. Stealing was a major form of automobile acquisition.

Health Care. Only 20% of the time characters were shown using health care (e.g., emergencies, surgery, mental health) were they also shown mentioning payment or paying for services. When shown in hospitals, characters were twice as often shown in private rooms as in semi-private rooms or wards.

The numbers and percentages of times positive, negative, and neutral consumption behaviors were observed are displayed in Table 4. The most often observed behaviors in this conceptual area were related to consumption of personal goods and services (78%). The next most often portrayed behaviors were those related to consumption of public

Table 4. Numbers and Percentages of Behaviors Observed Related to Total Consumption Area

| Concept                                    | Positive Behaviors |      | Negative Behaviors |      | Neutral Behaviors |     | Total |       |
|--------------------------------------------|--------------------|------|--------------------|------|-------------------|-----|-------|-------|
|                                            | N                  | %    | N                  | %    | N                 | %   | N     | %     |
| Consumption of Personal Goods and Services | 179                | 25.1 | 336                | 47.1 | 41                | 5.8 | 556   | 78.0  |
| Use of Information Sources                 | 21                 | 2.9  | 28                 | 3.9  | 0                 | 0.0 | 49    | 6.8   |
| Shopping Techniques                        | 6                  | .8   | 24                 | 3.4  | 0                 | 0.0 | 30    | 4.2   |
| Consumption of Public Goods and Services   | 28                 | 3.9  | 39                 | 5.5  | 11                | 1.5 | 78    | 10.9  |
| Total                                      | 234                | 32.8 | 427                | 59.9 | 52                | 7.3 | 713   | 100.0 |

goods and services but the percentage was low (10.9%). As was the case with choice-making and financial management, about twice as many negative as positive behaviors were observed for the section as a whole. To illustrate generally, twice as often as not television characters were seen consuming personal goods and services without also doing such things as: reading product labels, comparing prices, or checking on the competence of service providers.

A breakdown of the specific effective/ineffective behaviors related to consumption of personal goods and services that were observed is shown in Table 5. Those most often portrayed dealt with food and recreation and leisure though the other services category (child care, legal and domestic assistance, and education) was not far behind in numbers. The greatest gap between numbers of positive and negative behaviors portrayed was in the food area; over three times as many negative as positive portrayals. Interest-

ingly, about equal numbers of positive and negative behaviors were seen that related to housing and to recreation and leisure.

#### Rights and Responsibilities in the Marketplace

All behaviors coded in the rights and responsibilities section of the instrument were ones reflecting effective/ineffective consumer functioning. Concepts to which they related included: role of the consumer in the economy, rights of consumers and sellers, responsibilities of consumers and seller, fraudulent and deceptive practices, sources of consumer assistance, and consumer legislation. Examples of some of the behaviors coded are: "understands supply and demand," "assumes responsibility related to the right to be heard," "notifies warning signals of fraud," and "shows awareness of consumer legislation." The numbers and percentages of times these behaviors were observed are displayed in Table 6.

Table 5. Numbers and Percentages of Behaviors Observed Related to Consumption of Specific Personal Goods and Services

| Good/Service                | Positive Behaviors |      | Negative Behaviors |      | Neutral Behaviors |     | Total |       |
|-----------------------------|--------------------|------|--------------------|------|-------------------|-----|-------|-------|
|                             | N                  | %    | N                  | %    | N                 | %   | N     | %     |
| Food                        | 28                 | 5.0  | 90                 | 16.2 | 12                | 2.2 | 130   | 23.4  |
| Clothing                    | 10                 | 1.9  | 23                 | 4.1  | 3                 | .5  | 36    | 6.5   |
| Housing                     | 24                 | 4.3  | 29                 | 5.2  | 8                 | 1.4 | 61    | 10.9  |
| Transportation              | 20                 | 3.7  | 38                 | 6.8  | 4                 | .7  | 62    | 11.2  |
| Recreation and Leisure      | 60                 | 10.8 | 65                 | 11.7 | 1                 | .2  | 126   | 22.7  |
| Health Care                 | 14                 | 2.5  | 24                 | 4.3  | 4                 | .7  | 42    | 7.5   |
| Other Services <sup>1</sup> | 23                 | 4.1  | 67                 | 12.1 | 9                 | 1.6 | 99    | 17.8  |
| Total                       | 179                | 32.3 | 336                | 60.4 | 41                | 7.3 | 556   | 100.0 |

<sup>1</sup> Included child care, legal services, domestic services, and education.

Table 6. Numbers and Percentages of Behaviors Observed Related to Rights and Responsibilities in the Marketplace

| Concept                                   | Positive Behaviors |      | Negative Behaviors |      | Neutral Behaviors |      | Total |       |
|-------------------------------------------|--------------------|------|--------------------|------|-------------------|------|-------|-------|
|                                           | N                  | %    | N                  | %    | N                 | %    | N     | %     |
| Role of the Consumer in the Economy       | 17                 | 7.5  | 10                 | 4.4  | 9                 | 4.0  | 36    | 15.9  |
| Rights of Consumers and Sellers           | 41                 | 18.0 | 35                 | 15.4 | 15                | 6.6  | 91    | 40.0  |
| Responsibilities of Consumers and Sellers | 20                 | 8.8  | 31                 | 13.5 | 5                 | 2.1  | 56    | 24.4  |
| Fraudulent and Deceptive Practices        | 13                 | 5.7  | 20                 | 8.8  | 3                 | 1.3  | 36    | 15.8  |
| Sources of Consumer Assistance            | 1                  | .4   | 0                  | 0.0  | 0                 | 0.0  | 1     | .4    |
| Consumer Legislation                      | 3                  | 1.3  | 3                  | 1.3  | 2                 | .9   | 8     | 3.5   |
| Total                                     | 95                 | 41.7 | 99                 | 43.4 | 34                | 14.9 | 228   | 100.0 |

As can be seen, most of the behaviors observed dealt with rights of consumers and sellers and the next most with responsibilities of consumers and sellers. Unlike the other conceptual areas, almost exactly equal percentages of positive and negative behaviors were identified for the section as a whole. However, more positive than negative behaviors were observed that related to two of the concepts: role of the consumer in the economy and rights of consumers and sellers. In addition, only one portrayal concerning use of sources of consumer assistance was seen and very few related to consumer legislation.

#### Summary and Discussion

As noted earlier, consumer socialization theory has been used to describe the overall process by which consumer behaviors are acquired (15). The findings of this study document that prime-time television programs designed primarily to entertain do indeed include portrayals that relate directly to concepts typically taught in secondary consumer education programs. Thus, prime-time television should be regarded as a potential consumer educator.

The findings of this study also help clarify the nature and kinds of consumer-related portrayals

contained in prime-time television programs. For example, we now know that both positive and negative messages are sent. We also know, however, that negative messages, those reflecting ineffective consumer functioning, are sent about twice as often as positive ones when it comes to the broad areas of choice-making, financial management, and consumption and about equally as often when it comes to rights and responsibilities in the marketplace. In addition, more messages are sent, and likely to be received, that relate to choice-making, consumption, and rights and responsibilities than that relate to financial management.

Two theories have been advanced that may describe the way viewers internalize the messages television sends. Social learning theory suggests that behaviors are acquired merely by observing the behaviors of others (2). Disinhibition or facilitation theory posits that behavior is acquired as a result of the effect of vicarious experiences on internal suppressions (5). Regardless of which theory one prefers, it is likely learnings resulting from television viewing will be unplanned (concomitant or incidental). Thus, since more of the learnings related to consumer functioning are likely to be negative than positive, consumer educators should take steps to help bring these potential learnings to the level of students' consciousness. As noted by Martin (11), one will usually be in a better position to resist incidental learnings (sometimes also called the hidden curriculum) if one knows what is going on.

#### Recommendations

The findings of this study have several implications for both practice and further research. Relative to practice, the most obvious implication is that consumer educators should recognize and take into account television's role as a fellow consumer educator. To do this, they should begin by viewing television programs with a new set of lenses to become familiar with consumer behaviors exhibited by the characters. Special attention should be given to looking for specific behaviors related to the broad areas of choice-making, consumption, and rights and responsibilities in the marketplace although it should also be possible to identify financial management behaviors. The absence of certain kinds of behaviors related to consumer concepts should be noted as well as the presence of positive and negative behaviors (for example, the absence of portrayals related to estate planning, use of sources of consumer assistance, and paying taxes). Absence of behaviors may well have as much impact on what is learned by viewers as the presence of behaviors.

Once consumer educators have become acquainted with television as another consumer educator, they can then put this understanding to use by developing and implementing teaching strategies that will help students analyze and evaluate television portrayals dealing with consumer

functioning. For various consumer concepts addressed in class, students might, for example, be asked to record scenarios that reflect effective or ineffective behaviors exhibited by television characters. These might then be related to classroom learnings and analyzed individually through later role-playing exercises or discussions. Students might also be encouraged to undertake a research project of their own to see how many different consumer behaviors related to various concepts they could identify in television programs, whether they were positive, negative, or neutral, and whether the number varied over time or with certain types of programs and/or characters. Parents, brothers, sisters, and other students and teachers at school could be recruited to participate. Letters to television networks and television writers could be written to communicate feelings about what was found. Television scripts or scenarios could even be rewritten to more accurately reflect effective consumer functioning. Great potential exists for organizing learning experiences on a team-taught basis with other faculty, particularly in the English, literature, and/or language arts areas.

Teacher educators and curriculum developers should also take into account that entertainment television programming may be impacting on the effectiveness of the more formal efforts to educate consumers. Teacher educators might begin by reviewing and modifying formal and informal course offerings related to consumer education to ensure that television's role in consumer education is addressed; specifically, television as a socializing agent, theories describing how viewers learn from television, and the consumer content of entertainment programming. Curriculum developers should address the issue of the hidden consumer curriculum in television as they formulate future models and strategies for consumer education.

Though the findings of this study do add to the body of knowledge concerning television as a socialization agent, some further research would be useful. As noted earlier, demographic and contextual data related to the television programs viewed was also collected as part of the study reported here. Analysis of these data will provide further insight into just how certain kinds of television characters behave as consumers; that is, whether there are differences due to age, sex, race, marital status, socioeconomic level, family and other interpersonal roles, and occupation and whether there are differences related to types of programs (e.g., comedy, family situation, detective) and family settings of the programs (e.g., single adults, single parents, or nuclear families).

Other research that would be useful would be an analysis of the consumer content of television programs aired at times other than prime-time, particularly afternoons and weekends when adolescents might also be watching. In addition, identification of consumer behaviors portrayed in daytime television would prove helpful in designing consumer education programs for adults as well as adolescents since young people have the opportunity



to view these programs during the summer months, if not more often. Further, since movies and special programs on the commercial networks and programs on the public broadcasting network were not included in the sample coded for the study just described, an analysis of the consumer content contained in them would also do much to add to our understanding of the potential role of television as an agent of consumer socialization. Finally, it needs to be recognized that television is only one of the mass media and that the potential of the others for producing consumer learnings also exists. Persons interested in research in this field might well find it profitable, for example, to look at the consumer messages transmitted through radio, comics, and popular books and magazines. The study just discussed has taken only the beginning steps in uncovering the existence of all the forces that might well be competing in educating consumers. Much more remains to be done.

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THE DEVELOPMENT OF A MODEL FOR A  
COMMUNITY-BASED INFORMATION AND REFERRAL SYSTEM

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Abstract

The purpose of this study was to develop a conceptual model for a community information and referral system (CIRS) to assist individuals in locating information related to consumer buymanship, consumer rights, and family financial management. A Consumer Information Needs Assessment was developed and administered to 502 Denton residents to identify consumer information needs, current practices for locating consumer information, and consumers' perception of desirable characteristics in a consumer information and referral system.

Consumer Information needs were expressed most frequently for items representing the major budgetary expenditures of food, clothing, shelter, transportation, and health care services. The most frequently used and satisfactory sources of consumer information for Denton residents were: newspapers and/or magazines, books and pamphlets, and radio and/or television. Desirable characteristics for a CIRS were: a telephone hotline, an information newsletter, and a directory of information sources, with services available evenings and Saturdays.

Based on the findings of this study, a conceptual model for a Consumer Information and Referral System was developed. This system when implemented, would utilize community resources to meet the consumer information needs of residents.

Introduction

Consumers need information to cope with the problems of everyday living. This need for consumer information is indicated by the information-seeking behavior of individuals as well as by demonstrated lack (by some individuals) of consumer competence necessary to operate effectively in the marketplace. Many factors have influenced the increasing need for information about consumer buymanship,

consumer rights, and family financial management. Among these factors are problems created by economic pressures, the proliferation of choices in the marketplace, and the changing nature of the economy.

A great amount of consumer information is available as a result of efforts by government, education, and the private sector. However, in spite of the availability of consumer information, individual consumers are often unaware of either the existence of the information or of how to obtain the information for personal use (3).

What is needed to alleviate this problem is not more information, but rather a networking of existing information resources (6). One method of networking resources to assist individuals in problem-solving has been the creation and use of information and referral systems. For over thirty years information and referral systems have been used to meet a variety of information needs in the fields of social work, education, and library science (3).

Currently, various government agencies, institutions of higher education, and the military services provide some type of consumer information and referral. However, these services tend to be highly specialized as to the type of consumer information offered or the specific population served, rather than serving the general consumer public (2).

The purpose of this study was to develop a conceptual model for establishing a community-based, interdisciplinary consumer information and referral system (CIRS). This system when implemented, would utilize community resources to assist individuals in locating information related to consumer buymanship, consumer rights, and family financial management.

Methodology

Questionnaire

The "Consumer Information Needs Assessment" was developed to identify perceived consumer information needs related to consumer buymanship, consumer rights,

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and family financial management; actual and preferred methods of acquiring consumer information; and characteristics of the responding consumers. It was based on a review of other information needs assessment instruments, and on common solutions to consumer information needs as identified from the literature. The following variables and subvariables were investigated:

- Variable 1: Consumer information needs
  - . consumer buymanship
  - . consumer rights
  - . family financial management
- Variable 2: Current sources of information
  - . types of information sources
  - . level of satisfaction with sources
- Variable 3: Desirable characteristics in a CIRS
  - . willingness to use CIRS
  - . types of information services
  - . days and hours of operation
- Variable 4: Characteristics of consumers
  - . personal characteristics
  - . financial characteristics
  - . family characteristics

Likert-forms were used to collect data about consumer information needs and current sources of consumer information. A multiple choice item was used to determine the respondent's willingness or unwillingness to use a CIRS. If a respondent indicated an interest in using CIRS, then there were two additional questions to be answered regarding the days and hours of operation which would be most convenient for the consumer to use the service, and the specific types of information services preferred. If a respondent indicated an unwillingness to use CIRS, then no additional questions were to be answered. Multiple choice items were used to collect data about consumer characteristics.

The questionnaire was evaluated for face and content validity by a panel of judges, composed of faculty and graduate students in the Department of Home Economics and Consumer Science at Texas Woman's University. Then, a pilot study was conducted to pre-test data collection methods. The questionnaire was revised based on the results of each procedure.

#### Population

The population for the study included all residents within the city limits of Denton, Texas. A systematic sample of

502 residents was selected from the "Street Directory of Households and Businesses" in the 1979 Denton City Directory.

#### Procedure

The following contact system was followed in the administration of the Consumer Information Needs Assessment:

1. Prequestionnaire introductory letter sent to sample population
2. Initial mailing of questionnaire with cover letter, stamped envelope, and response card.
3. Follow-up postcard.
4. Follow-up mailing of second questionnaire to nonrespondents.
5. Nonresponse validation by telephone interview from a sample of twenty nonrespondents.

A stamped response card was sent with the questionnaire. The respondent was to return the card separately from the questionnaire. This procedure allowed the respondent to remain anonymous, while facilitating follow-up mailings (7).

#### Analysis

For data analysis the sample population was divided into two groups according to respondents' willingness or unwillingness to use a Consumer Information and Referral System (CIRS). This distinction was made because the model developed as a result of this research was based on the responses of consumers who indicated a willingness to use CIRS (referred to in this paper as "projected CIRS users"). However, the data for respondents who indicated they would not be willing to use CIRS (referred to in this paper as "projected CIRS nonusers") were also included in this paper for comparison purposes.

#### Findings

##### Respondents

Of the 502 questionnaires mailed, 158 were returned (31.4%), with 150 questionnaires usable for data analysis. Data in Table 1 indicates that respondents were predominately female (78%), ages 18 to 40 years (57%), with one or more years of college education (56%), and earning an annual income of \$15,000 or less (50%)



Table 1. Demographic Characteristics of Sample Population, by Projected CIRS Users and Nonusers

| Demographic Characteristic    | CIRS Users (n=133) | CIRS Nonusers (n=16) | Total Sample (n=150) |
|-------------------------------|--------------------|----------------------|----------------------|
| Sex                           |                    |                      |                      |
| male                          | 22.0%              | 20.0%                | 21.8%                |
| female                        | 78.0%              | 80.0                 | 78.2                 |
| Age range                     |                    |                      |                      |
| 18-24                         | 21.8               | 18.8                 | 21.5                 |
| 25-40                         | 39.1               | 6.3                  | 35.6                 |
| 41-64                         | 28.6               | 31.3                 | 28.9                 |
| 65 or over                    | 10.5               | 43.8                 | 14.1                 |
| Years of education            |                    |                      |                      |
| 0-6 years                     | 0.0                | 12.5                 | 1.3                  |
| 7-11 years                    | 6.0                | 12.5                 | 6.7                  |
| 12 years                      | 12.8               | 12.5                 | 12.8                 |
| 13-15 years                   | 31.6               | 25.0                 | 30.9                 |
| 16 or more years              | 49.6               | 37.5                 | 48.3                 |
| Length of residence in Denton |                    |                      |                      |
| less than 1 year              | 6.3                | 0.0                  | 5.6                  |
| 1-3 years                     | 25.8               | 21.4                 | 25.4                 |
| 4 or more years               | 68.0               | 78.6                 | 69.0                 |
| Marital status                |                    |                      |                      |
| single (never married)        | 22.9               | 18.8                 | 22.4                 |
| married                       | 60.3               | 56.3                 | 59.9                 |
| divorced                      | 9.2                | 6.3                  | 8.8                  |
| widowed                       | 7.6                | 18.8                 | 8.8                  |
| Occupation                    |                    |                      |                      |
| professional/managerial       | 33.3               | 25.0                 | 32.2                 |
| clerical/sales                | 18.9               | 6.3                  | 17.4                 |
| blue collar or service        | 6.8                | 6.3                  | 6.7                  |
| housewife/househusband        | 8.3                | 12.5                 | 8.7                  |
| student                       | 20.5               | 6.3                  | 18.8                 |
| retired                       | 10.6               | 43.8                 | 14.8                 |
| unemployed                    | 1.5                | 0.0                  | 1.3                  |
| Number of children            |                    |                      |                      |
| none                          | 58.5               | 80.0                 | 60.7                 |
| 1-2                           | 36.2               | 20.0                 | 24.5                 |
| 3-4                           | 4.6                | 0.0                  | 4.1                  |
| 5-6                           | 0.8                | 0.0                  | 0.7                  |
| Household income              |                    |                      |                      |
| under \$5,000                 | 14.4               | 6.7                  | 13.5                 |
| \$5,000-9,999                 | 16.0               | 26.7                 | 17.0                 |
| \$10,000-14,999               | 17.6               | 22.0                 | 17.7                 |
| \$15,000-19,999               | 8.8                | 0.0                  | 7.8                  |
| \$20,000-24,000               | 9.6                | 13.3                 | 9.9                  |
| \$25,000-29,999               | 9.6                | 6.7                  | 9.9                  |
| \$30,000-34,999               | 9.6                | 6.7                  | 9.2                  |
| \$35,000-39,999               | 8.8                | 6.7                  | 8.5                  |
| \$40,000 or more              | 5.6                | 13.3                 | 6.4                  |

Note. Percentages may not equal 100% due to rounding.

Age, education, and occupation were statistically significant in relation to a consumer's willingness or unwillingness to use CIRS. Eighty-eight percent of the respondents (133) expressed a willingness to use CIRS if it were conveniently located and available at no cost to the consumer. This group of projected CIRS

users were: young to middle aged (25-40 years), well educated (16 or more years), and either clerical/sales workers or students. In contrast, projected CIRS nonusers (10.6%) were elderly (65 or over), less educated (11 years or less), and retired.

#### Consumer Information Needs

Respondents indicated on a five-point Likert form how often consumer information was needed about each consumer purchase, problem, or activity. Mean scores were calculated for each item and used as an index for comparing and prioritizing consumer information needs.

Table 2 shows the mean score ranking of consumer information needs reported by Denton residents. Items are ranked from high to low priority of need. The most frequent information needs for CIRS users concerned automobiles (3.7), appliances (3.44), health care services (3.41), automobile repairs (3.37), and food (3.31).

Table 2. Mean Score Comparison of Consumers' Information Needs by Projected CIRS Users and Nonusers

| Information Need             | CIRS Users (n=133) |                    | CIRS Nonusers (n=16) |                    |
|------------------------------|--------------------|--------------------|----------------------|--------------------|
|                              | Mean               | Standard Deviation | Mean                 | Standard Deviation |
| automobiles                  | 3.70               | 1.38               | 2.13                 | 1.31               |
| appliances (large or small)  | 3.44               | 1.23               | 2.75                 | 1.39               |
| health care                  | 3.41               | 1.26               | 2.25                 | 1.61               |
| automobile repairs           | 3.37               | 1.22               | 2.44                 | 1.41               |
| food                         | 3.37               | 1.22               | 2.81                 | 1.33               |
| insurance                    | 3.21               | 1.21               | 2.00                 | .97                |
| housing (rental or purchase) | 3.16               | 1.64               | 1.31                 | .79                |
| savings & investment         | 3.15               | 1.23               | 2.31                 | 1.35               |
| consumer product safety      | 3.14               | 1.27               | 1.87                 | 1.20               |
| home furnishings             | 3.09               | 1.19               | 1.94                 | 1.29               |
| taxes (personal or property) | 3.07               | 1.32               | 2.13                 | 1.20               |
| banking services             | 3.03               | 1.24               | 2.06                 | 1.29               |
| education                    | 3.03               | 1.50               | 1.38                 | 1.09               |
| clothing                     | 3.01               | 1.13               | 2.38                 | 1.31               |
| consumer protection laws     | 2.97               | 1.28               | 1.75                 | 1.18               |

Table 2 (continued)

| Information Need                       | CIRS Users |                    | CIRS Nonusers |                    |
|----------------------------------------|------------|--------------------|---------------|--------------------|
|                                        | Mean       | Standard Deviation | Mean          | Standard Deviation |
| utility services, gas, electric, water | 2.94       | 1.47               | 2.40          | 1.45               |
| warranties                             | 2.88       | 1.25               | 1.69          | .87                |
| consumer complaint procedures          | 2.87       | 1.28               | 1.50          | .63                |
| home repairs/home improvement          | 2.84       | 1.55               | 1.94          | 1.34               |
| credit (how to use or obtain)          | 2.78       | 1.32               | 1.25          | .58                |
| legal advice and/or services           | 2.77       | 1.21               | 1.69          | .73                |
| consumer organization/agencies         | 2.65       | 1.32               | 1.38          | .62                |
| budgeting                              | 2.42       | 1.31               | 1.40          | .63                |
| rental contracts                       | 2.40       | 1.43               | 1.27          | .59                |
| wills                                  | 2.35       | 1.37               | 1.63          | .62                |
| public transportation                  | 2.26       | 1.64               | 1.31          | 1.01               |
| personal financial record-keeping      | 2.25       | 1.23               | 1.44          | 1.09               |
| estate planning                        | 2.23       | 1.28               | 1.44          | .51                |
| household moving/storage               | 2.04       | 1.62               | 1.19          | .66                |
| child care                             | 1.67       | 1.74               | .88           | .72                |
| funeral/burial services                | 1.41       | 1.57               | 1.13          | .81                |

All respondents indicated a greater need for consumer buymanship information than for information related to either consumer rights or family financial management. The highest areas of information needs represented the major budgetary expenses for all consumers: food, clothing, shelter, transportation, and health care.

Projected CIRS nonusers rated their consumer information needs lower for all consumer problems than did projected CIRS users. Failure to report a need may not, however, indicate the absence of a problem.

#### Current Sources of Information

Respondents were given a list of potential information sources which included interpersonal sources (involving contact with agencies or individuals) and print and media sources. Using five point Likert forms, the respondents indicated how often they used each source for consumer information and how helpful

each information source was to them.

Denton consumers preferred print and media information sources to interpersonal information sources. As indicated in Table 3, the most frequently used information sources were: magazines and/or newspapers, books or pamphlets, and radio and/or television. While all Denton consumers preferred the same information sources, projected CIRS nonusers reported lower usage and less satisfaction with all information sources than projected CIRS users.

Consumers' frequent use of an information source corresponded to consumers' satisfaction with information provided by that source. The one exception was public utility services, which was used more frequently, but rated less helpful than were seminars, classes, and workshops.

#### Desirable Characteristics in a CIRS

Only respondents expressing a willingness to use CIRS, were asked to indicate their preferences regarding the types of information services to be offered and the days and hours of operation which would be most convenient for the consumer to use the services. Responses are summarized in Table 4.

Table 4. Projected CIRS Users' Delivery System Preferences: Services and Use Time

| Delivery System Characteristic        | CIRS Users<br>(n=133) |                |              |
|---------------------------------------|-----------------------|----------------|--------------|
|                                       | High<br>(5,4)         | Average<br>(3) | Low<br>(2,1) |
| <u>Services</u>                       |                       |                |              |
| question and answer by mail           | 27.1%                 | 41.9%          | 31.1%        |
| telephone hotline                     | 56.2                  | 34.6           | 9.2          |
| referral to experts                   | 42.6                  | 44.2           | 13.2         |
| directory of information sources      | 53.4                  | 38.9           | 7.7          |
| information newsletter                | 53.5                  | 35.9           | 10.7         |
| consumer resource center for browsing | 28.7                  | 41.4           | 30.3         |
| workshops or seminars                 | 14.6                  | 33.8           | 51.6         |
| classes for college credit            | 18.7                  | 29.5           | 52.0         |
| <u>Use time</u>                       |                       |                |              |
| daily 8 a.m. to 12 noon               | 23.5                  | 25.2           | 51.3         |
| daily 12 noon to 5 p.m.               | 27.9                  | 36.9           | 55.1         |
| daily 5 p.m. to 9 p.m.                | 53.9                  | 34.5           | 13.5         |
| Saturday 8 a.m. to 5 p.m.             | 57.0                  | 32.5           | 10.5         |

Note. Rows may not total 100% due to rounding.

Table 3. Consumers' Current Use of Information Sources for Consumer Information by Projected CIRS Users and Nonusers

| Information Source             | CIRS Users<br>(n=133)      |           |                       | CIRS Nonusers<br>(n=16)    |           |                       |
|--------------------------------|----------------------------|-----------|-----------------------|----------------------------|-----------|-----------------------|
|                                | Always<br>or<br>Frequently | Sometimes | Seldom<br>or<br>Never | Always<br>or<br>Frequently | Sometimes | Seldom<br>or<br>Never |
| businesses                     | 25.6%                      | 33.1%     | 41.4%                 | 6.7%                       | 26.7%     | 66.6%                 |
| cooperative extension service  | 7.6                        | 25.0      | 67.4                  | 6.3                        | 6.3       | 87.6                  |
| public utility companies       | 15.1                       | 30.8      | 54.2                  | 12.6                       | 6.3       | 8.13                  |
| government agencies            | 15.9                       | 39.4      | 44.7                  | 6.3                        | 31.3      | 62.6                  |
| radio and/or television        | 48.9                       | 38.3      | 12.8                  | 12.6                       | 18.8      | 68.8                  |
| magazines and/or newspapers    | 71.0                       | 20.6      | 8.4                   | 25.0                       | 31.3      | 43.8                  |
| books or pamphlets             | 50.7                       | 27.3      | 21.9                  | 25.1                       | 18.8      | 56.3                  |
| library                        | 25.0                       | 29.5      | 45.5                  | 0.0                        | 18.8      | 81.3                  |
| seminars, classes or workshops | 16.0                       | 22.9      | 61.1                  | 0.0                        | 6.3       | 93.8                  |

Note. Percentages may not total 100% due to rounding.

Projected CIRS users preferred a telephone hotline, an information newsletter, and a directory of information resources. This preference for print and media sources corresponds to Denton consumers' currently used information sources, which are predominately print and media sources, rather than interpersonal sources. Projected CIRS users preferred Saturday and evening hours of operation for CIRS, rather than daily business hours 8:00 A.M. to 5:00 P.M. This preference was probably due to the work and school schedules of projected CIRS users (students and clerical/sales workers).

#### Summary, Conclusions, and Recommendations

Based on the results of the Consumer Information Needs Assessment, it was recommended that a community-based Consumer Information and Referral System should possess the following service characteristics and components:

##### Target population.

- . Serve the information needs of young, well educated consumers.
- . Attempt to provide consumer information to elderly, retired consumers.

##### Information services.

- . Provide consumer information related to the major budgetary items of food, clothing, shelter, transportation, and health care.
- . Utilize print and media information sources rather than interpersonal sources whenever possible.

##### Delivery systems.

- . Maintain a telephone hotline.
- . Publish an information newsletter.

##### Operation and services.

- . Offer services on Saturdays 8:00 A.M. to 5:00 P.M. and daily from 5:00 P.M. to 9:00 P.M.
- . Offer all services at no cost to the consumer
- . Be located conveniently for consumer use.

Using these recommendations, a conceptual model for a community-based Consumer Information and Referral System was developed to assist residents in locating information needed to resolve specific consumer problems. This system could be implemented in Denton or any other setting in which similar facilities are available. However, each community represents a unique blend of information needs and resources. Therefore, a community may wish to conduct its own needs assessment to determine the specific information needs of local residents. The Consumer Information Needs Assessment was developed with that purpose in mind. With only a few modifications that instrument could be administered in any community to provide an empirical base for establishing relevant community-based Consumer Information and Referral services that utilize local resources to meet local consumer information needs.



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## USE YOUR SKILLS

Brenda L. Yost<sup>1</sup>, National Automated Clearinghouse Association

The other members of this panel have discussed consumer affairs positions and how to obtain them. Even though you are trained as a consumer affairs professional, I think that you limit your horizons by focusing only on jobs with consumer-related activities listed in the job description. Many jobs that are not considered consumer affairs positions involve decisions that greatly affect the lives of consumers. Broaden your job search by interviewing for positions other than consumer positions. Having personnel sensitive to the consumer viewpoint in decision-making positions in many businesses will help consumers in areas where personnel with consumer titles may not be able to help.

My own jobs have not been considered consumer affairs positions, but I have been able to impact consumers. After finishing my Master's degree in consumer economics at Ohio State University, I went to work as an Assistant National Bank Examiner for the Comptroller of the Currency, U. S. Treasury Department. In this position I examined national banks for safety and soundness and compliance with laws and regulations. Some of the laws and regulations I enforced were the Truth-In-Lending Act, Equal Credit Opportunity Act, Fair Housing Laws, and the Community Reinvestment Act. Ensuring that banks are complying with these laws allows all consumers a better opportunity to shop for the best banking services available.

After a few years in the field as a bank examiner, I was asked to implement a new regulation - the Fair Housing Home Loan Data System. In this position I wrote examination procedure on fair housing laws for the field examiners throughout the U.S. to use. I also trained bank examiners on how to use the results of the data system to determine if a bank was discriminating in the granting of home mortgages. In addition, I was often asked to comment on proposed legislation and regulations that would affect customers of the banking system. This position allowed me to use my background in the consumer area. However, had I not served time as a commercial bank examiner first, I do not think that my viewpoint would have been valued as highly as it was. By serving in a non-consumer position first I was able to impact the lives of consumers more in the end.

The same thing is true with my present position. I now work for the National Automated Clearinghouse Association (NACHA). This organization establishes the rules for operating the automated clearinghouse system in the U. S. This system processes debits and credits electronically. Two

ACH applications are direct deposit of payroll and preauthorized debits like life insurance payments. Since NACHA establishes the rules that govern the national exchange of these payments, these rules affect millions of customers. Thus, by evaluating the effect that NACHA rules have on all participants in the ACH system, my work had direct impact on consumers. However, my position is not a "consumers affairs" job.

I think that my example should make you realize that you can use your training to affect consumers in many ways without having a traditional consumer affairs position. Expand your horizons as you search for employment.

### Interviewing Tips

As you look for a job, I think you need to realize that a job interview is a chance for you to sell yourself. Market your skills to the interviewer.

Before any job interview, research the company well. Don't limit your knowledge to general information, but know the company well enough to be able to tell the interviewer what position in the company you want. This may be a job that already exists or one you think should be created. Explain why you are well-suited for the position and to work for that employer. If possible, point out how employing you can have a positive effect on the company's bottom line.

In closing I would like to say - don't sell yourself short. Your background offers a lot to employers; so tell them what an asset you will be!

<sup>1</sup>Assistant Director

I have been asked to discuss a fairly typical undergraduate consumer affairs program. The University of Missouri-Columbia major in consumer affairs was developed five years ago and since its inception we have required coursework in marketing, management, accounting, communications, law and political science. We also require at least one internship experience and strongly recommend additional coursework in data processing, statistics, and other additional business oriented courses. The current job market requires a strong emphasis in business.

We have been very successful in placing our graduates, in part because our students aggressively pursue positions and interview for jobs where a "business degree" is required. Since we have a strong emphasis in business coursework, our students have fared quite well when competing with students with a "pure" business background. At the interview stage, our students often note that the consumer affairs major offers in-depth business related coursework but also allows them to experience in-depth work in consumer related courses. As a result, our degree offers a balance between the consumer view and the business view. Many employers have found this balance to be of substantial value. Our students have obtained positions in a wide range of areas including but not limited to the following: assistant buyers, bank examiners, management trainees.

I would recommend that students in the consumer affairs major consider the following:

1. Emphasize your strengths over those in a business major and that you most probably have a more balanced view between a consumer interest and the business interest.
2. It's a unique degree--many employers will not be familiar with it--educate them as to the strengths of a consumer affairs curriculum and also emphasize all the business related courses you have taken.
3. Check all placement services offered on your campus. Our business school has a Career Placement Center and most of our students' successes have come from that Center, not from the more general Career Planning Center.
4. Job placement requires that students interview, interview, and interview. Our students have been successful in interviewing for jobs in business that do not specify a clear major requirement.
5. Don't be afraid of failure. The more positions you apply for, the better your chances are of success.
6. Prepare for your career and take electives carefully. The Ristau study noted that business wants a lot of coursework in communications, consumer behavior, consumer law, public relations, consumer economics,

marketing/advertising, psychology, government affairs, statistics, computer science.

7. Leadership roles in professional student groups like ACCI chapters are important. If you don't have these on campus, work with your advisor to see if a club can be initiated.
8. Field training in a consumer affairs related position is important.
9. Don't wait for your advisor to initiate internship experiences, job suggestions, etc. At many universities, it is your responsibility to pursue these opportunities.
10. The bottom line is you have a unique degree; we have found this uniqueness is a strength. Highlight this strength and the idea that your degree presents a more balanced view of the marketplace than is evident with other competing degrees.

Mel J. Zelenak, Assistant Professor and Executive Director, American Council on Consumer Interests